Weekend

FINANCIAL TIMES

Weekend FT

The race for integration

SECTION II

A celebration of 'degenerate art'

The ones to watch in Atlanta

World Business Newspaper

WEEKEND JULY 20/JULY 21 1996

Weather hampers search for TWA jet flight recorder

Wind and rain hampered efforts to recover the two black box data recorders from the wreckage of the Paris-bound TWA jetliner which exploded soon after take off from New York on Wednesday night, killing all 230 on board including 42 French nationals and 11 Italians. Meanwhile US authorities refused to speculate on the cause of the disaster and President Bill Clinton urged the public to wait for evidence before reaching conclusions. Page 3

Airbus design change urged: Investigators probing Japan's second worst air disaster have recommended Airbus Industrie, the European consortium, to change the design of controls in its A300-600R aircraft. The advice follows inquiries into the crash of a China Airlines A300-600R at Nagoya airport two years ago when 264 people died as the aircraft lost control on its landing approach. Page 3

Stocks firm in UK after a volatile week:

Shares firmed in London *after a switchback week*, thanks to strong sentiment in the banking and pharmaceuticals sectors. Although the FT-SE 100 share index slipped back from its Friday high, it *still closed 17.1 points* stronger on the day at 3,710.5 although 17.8 lower over the week. London's early gains yesterday, helped by Wall Street's overnight rise, were halved *when* New York reopened. Page 21; Wall Street, Page 19

London Stock Exchange criticised: A group *of British members of parliament accused the* London Stock Exchange of unduly favouring the "short-term sectional interests" of five big investment banks that act as market-makers. Page 4

Russian bond rules eased: Russia's central bank eased the bond market rules for foreign investors, although officials warned that some restrictions would remain. From August 15, foreigners can open rouble accounts at certain Russian banks and use these funds to buy treasury bills at government auctions and in the secondary market. Page 24

Flood toll rises: Floods across eight provinces of China have killed 716 people and made 2m homeless. Nearly 4m people have been cut off by flood waters, China's ministry of civil affairs said, and almost 24m acres of farmland have been affected.

German doctors probed: German prosecutors have narrowed a corruption probe down to 360 doctors and medical workers. They are suspected of *taking DM33m in bribes to buy overpriced replacement* heart valves and other equipment.

Powell to speak: Retired general Colin Powell is *to speak at the opening night of next month's* Republican convention at the request of Bob Dole, the party's probable presidential candidate. Page 3

UK teenager murdered in France: A 13-year-old British girl was found raped and murdered in a youth hostel where she was staying in Brittany, north-western France. Caroline Dickinson was with a group from a college in Cornwall, south-west England.

Burma's observer status questioned: Burmese pro-democracy leader Aung San Suu Kyi is urging the Association of South-east Asian Nations to reconsider granting her country observer status at its meeting *this weekend. EU* criticism irritates Asean, Page 3

Cars in the doldrums: Strong domestic demand for recreational *vehicles failed to pull Japan's car* industry out of the doldrums in the first half, with output down and poor exports. Page 6

Poisoning scare: Two children were close to death in the western Japanese town of Sakai from a food poisoning outbreak which has made nearly 6,000 primary schoolchildren ill. The epidemic was triggered by school lunches.

Sweden shrinks: Sweden turns out to be 2.07km shorter than previously believed, national surveyors say. Satellite calculations showed it is actually 1,572 km from north to south.

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Atlanta's Olympic spirit tempered by anxiety

By Peter Aspden in Atlanta

It is, Atlanta claims proudly, the largest sporting event of all time. But behind the razzmatazz yesterday there was an unmistakable undertone of anxiety as the 26th Olympic Games opened.

Fears over security, inevitable in an event featuring about 10,000 athletes from 197 countries, have been intensified by the explosion on Wednesday of the TWA aircraft which killed 230 people.

The Games organisers have been forced to tighten security, and Mr Bill Campbell, the mayor of Atlanta, said the city's Hartsfield Airport might move to *the highest possible level of alert.*

President Bill Clinton was due to call for a minute's silence across the US last night in memory of those killed in the air disaster.

Mr François Carrard, the director-general of the International Olympic Committee, played down links between the TWA explosion and the issue of safety at the Games.

"We believe that the issue has been properly addressed in Atlanta, but nothing is perfect in this world," he said. Asked if he thought the explosion had cast a pall over the Games, he replied: "The Olympic movement must live in the times in which the Games are being played."

The security alert is the latest and most serious controversy threatening to spoil the party Atlanta has planned for the eyes of the world.

On the track of drug cheats ....Page 9
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The organisers are facing criticism for over-emphasising some aspects of the American south. A celebration of the region's diversity was one of the themes of the opening ceremony, along with youth and the Olympic centennial. But when news leaked that the ceremony included pick-up trucks, a *derided* symbol of the south's Redneck *side*, many critics thought it was the last straw.

Mr Don Mischer, executive producer of the spectacle, said the trucks would only take up "about seven minutes" in the four-hour opening show. Mr Carrard called the dress rehearsal a "total com*municative experience – there is no* doubt that the international audience will get it".

The Georgia Coalition to Change the Georgia Flag is also organising a daily protest. Mr Frank Jackalone, a coalition leader, said the flag, which bears the Confederate battle emblem, was "the world's best-known symbol of racism".

"They should have changed it before the Games. Now we're going to embarrass *them*," he said.

There have also been worries that the hot, humid weather is too dangerous for athletes – and animals – who compete in the hottest part of the day.

The IOC has faced complaints from the Humane Society, which is particularly worried about the health of horses. *Mr Gilbert Felli, director of sports of the* IOC, said measures such as the use of water mists at the competition venues had led veterinary experts to believe that the horses would be safe.

The issue of the over-commercialisation of the Games has also resurfaced. More than $1bn is expected to be raised from merchandising. The 10 leading sponsors have paid $40m each to be associated with the event.

And then there are drugs. Australian sprinter Dean Capobianco, who tested positive for illegal drugs, could still be barred from competing despite a decision by his national body that he should not be banned. All this before the sport has even started.

German package to cut spending falters at first vote

By Judy Dempsey in Bonn

Germany's Bundesrat, the upper house of parliament, yesterday rejected the government's controversial DM50bn ($32.8bn) austerity package, slowing the pace of spending cuts meant to ensure that Germany meets the Maastricht criteria for European monetary union.

Calling parts of the package unfair to the less well-off, a majority of the 16 *states* in the Bundesrat, which is dominated by the opposition Social Democratic party (SPD), voted to send it to parliament's arbitration committee, delaying its expected final passage for two months. The measures are due to be introduced next year.

The savings measures include cuts in sickness benefit, unemployment and pension payments, as well as an increase in the pensionable age of women and plans to make it easier for small businesses employing up to 10 workers to dismiss them.

Mr Theo Waigel, finance minister, said last week he would be seeking a 2.5 per cent cut in federal spending to DM440.2bn next year and a reduction in the planned federal deficit from DM59.9bn to DM56.5bn in 1996.

> Germany unveiled plans to reform the stock market in a move to make it more attractive as a financial centre for domestic and foreign investors and to bring in broader institutional shareholder participation. The government is concerned that Germany will be unable to compete with other financial centres unless old regulations are scrapped and tax incentives are introduced to expand capital markets. Report, Page 2

Mr Oskar Lafontaine, SPD leader, said the package would hit the less well-off, adding his party did not vote against it simply to block the government. "This is not about a blockade. We have the responsibility to seek social justice and fight unemployment and that's what we will do." German unemployment is 9.9 per cent of the labour force, or about 4m.

After the Bundesrat vote Mr Waigel said: "Today's decision is not the last word. The government has done its homework. The savings package is a leading step towards lasting economic growth and jobs that are internationally competitive."

The parliamentary arbitration committee will try to agree a compromise before a final reading in the Bundestag, the lower house, in September.

If there is no compromise, the SPD will be able to block some measures but not the package's main elements.

Mr Helmut Kohl, the German chancellor, might be forced to make some amendments to ensure the east German parliamentary deputies of his governing Christian Democratic Union (CDU), will toe the line in the Bundestag, where Mr Kohl has an absolute majority of only four.

The government says deep cuts in social welfare spending and lowering the cost of labour are the only means to create the conditions for new jobs and meet the financial criteria for European monetary union, which is due to begin in 1999.

SPD leader Oskar Lafontaine (right), watched by German labour minister Norbert Blüm, told the Bundesrat that the government's controversial austerity package would hit the less well-off Picture: Reuter

Rolls-Royce puts turbine arm up for sale

By Stefan Wagstyl in London

Rolls-Royce, the UK aero-engines and industrial power group, yesterday *put its steam* turbine power generation business up for sale, casting uncertainty over 2,500 jobs and over the future of Parsons, one of the most famous names in British engineering.

The company is taking a charge of £170m ($265m) and writing off £78m in goodwill to cover potential costs, including the possible closure of two plants – the Parsons turbine factory in Newcastle upon Tyne and the International Combustion boiler works in Derby.

Sir Ralph Robins, chairman, said he hoped the businesses could be sold outright or be put into a joint venture before the factories finish work on their current contracts next year.

The news brought dismay to Derby and to Newcastle, where Parsons has been a leading employer for over 100 years.

Top engineers also expressed regret at Parsons' possible demise. But Sir Ralph said it was more important to secure Britain's industrial future than to

Continued on Page 24
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Karadzic resignation paves way for Bosnia elections

By Laura Silber in Belgrade

Mr Richard Holbrooke, the US envoy, yesterday secured the resignation of Mr Radovan Karadzic, the Bosnian Serb leader, but failed to orchestrate his handover to the United Nations tribunal for war crimes.

The resignation of Mr Karadzic, who is wanted on war crimes charges, clears the way for Bosnia's first postwar elections on September 14. It remains to be seen if he will stick to his pledge to disappear from public life.

Mr Holbrooke announced that after 10 hours of negotiations with President Slobodan Milosevic of Serbia and Bosnian Serb *officials*, Mr Karadzic had stepped down as president of Republika Srpska, the Serb entity in Bosnia, and head of the *ruling Serbian Democratic party (SDS)*.

"He [Mr Karadzic] will not appear in public, or on radio or television or other media means of communication or participate in any way in the elections," said Mr Holbrooke. He warned that any backsliding by the Serbs would result in "consequences" – Mr Milosevic had been threatened with renewed sanctions against Belgrade.

"I want to make clear we are not satisfied ... Indicted war criminals should be at The Hague to face trial under due process of law, and that includes Mr Karadzic," Mr Holbrooke *said, soon after* the agreement was sealed.

The breakthrough was reached after senior Bosnian leaders had been escorted to Belgrade by *Mr Jovica Stanisic*, Serbia's secret police chief. They penned the agreement, which was faxed to Mr Karadzic, who sent it to Belgrade.

Members of Mr Karadzic's ruling circle were named to replace him. Mrs Biljana Plavsic was confirmed as acting president and Mr Aleksa Buha, foreign minister, as SDS chief. Another nationalist hardliner, Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, was also set to gain prominence.

Mr Karadzic's resignation has enabled the SDS to stand in Bosnian elections as under the

Continued on Page 24
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STOCK MARKET INDICES

FT-SE 100:	3,710.5	(+17.1)
Yield	4.08	
FT-SE Eurotrack 100	1,836.47	(+7.14)
FT-SE-A All-Share	1,841.45	(+9.04)
Nikkei	21,476.29	(-30.13)
New York: lunchtime		
Dow Jones Ind Ave	5,430.52	(-33.66)
S & P Composite	637.51	(-8.05)
LONDON MONEY		
3-mo Interbank	5¾%	(5 23/32%)
Liffe long gilt fut:	Sep 108 11/32	(Sep108 5/32)

US LUNCHTIME RATES		
Federal Funds:	5 5/16%	
3-m Treas Bills: Yld	5.248%	
Long Bond	88 1/32	
Yield	6.964%	
NORTH SEA OIL (Argus)		
Brent Dated	$19.69	(19.975)
GOLD		
New York Comex (Aug)	$385.2	(384.6)
London	$384.35	(383.7)

STERLING		
New York: lunchtime		
$	1.54655	
London:		
$	1.5474	(1.5455)
DM	2.3032	(2.3053)
FFr	7.8013	(7.8121)
SFr	1.8824	(1.8841)
Y	167.478	(167.983)
£ Index	84.7	(84.8)

DOLLAR		
New York: lunchtime		
DM	1.4881	
FFr	5.044	
SFr	1.21675	
Y	108.155	
London:		
DM	1.4885	(1.4917)
FFr	5.0417	(5.0540)
SFr	1.2165	(1.2191)
Y	108.234	(108.69)
$ Index	96.2	(96.5)
Tokyo close Y 108.20		

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Richard Holbrooke, architect of the Dayton accords, scores another success

Out but not down for Karadzic

By Laura Silber in Belgrade

Mr Richard Holbrooke, the senior US mediator, is obviously thrilled to be back walking the Balkans peace-path and supping with local politicians. Not for the first time, he has succeeded where his European counterparts have failed.

The 55-year-old former assistant secretary of state, the architect of the Dayton accords which ended the war in Bosnia, early yesterday morning managed to secure the resignation of Mr Radovan Karadzic, the Bosnian Serb leader who has been indicted for war crimes. The failure of other international mediators to remove Mr Karadzic from political life had threatened to scupper Bosnia's first post-war elections.

Friday's 11th-hour agreement, however, fell short of the goal of western governments: to bring Mr Karadzic before the UN war crimes tribunal in The Hague. "Our position is out of country, out of power. We are not satisfied. We want the man in The Hague," said a grinning Mr Holbrooke yesterday during an interview following marathon negotiations with President Slobodan Milosevic of Serbia in a government villa in Belgrade.

Last week Mr Holbrooke was recalled by Washington for his new Balkan mission as an unpaid envoy: "They wouldn't be able to afford me," he is reputed to have said.

Despite threats of renewed sanctions against Serb-led Yugoslavia unless he engineered Mr Karadzic's removal from all political functions, Mr Milosevic refused to hand over his proxy-turned-rival. Indeed, Mr Holbrooke believes the Serbian president is unlikely to risk arresting Mr Karadzic, fearing a fight among Serbs.

In fact, the agreement may serve better to bridge divisions within the international community over what to do about Mr Karadzic – by stemming fears that his arrest would undermine the Dayton accords. Despite Washington's insistence that Mr Karadzic be arrested, a US official yesterday admitted that a replay in Bosnia of the nightmare at Mogadishu is still on everyone's mind.

Holbrooke (left) holds a resignation document with the signature of Karadzic (right) on it

Mr Holbrooke said Washington had despatched him to the former Yugoslavia independent of yesterday's deadline set by Mr Robert Frowick, the US diplomat who is overseeing the ballot in Bosnia.

"It seems like a plan, but it was an accident," Mr Holbrooke said. Mr Frowick of the Organisation for Security and Co-operation in Europe (OSCE) had warned that unless Mr Karadzic stepped down as head of his Serbian Democratic party (SDS), his party would be banned from standing in the poll on September 14.

Faced with their own political oblivion, Mr Karadzic's allies had a change of heart.

The support of Admiral Leighton Smith, the outgoing commander of Nato forces in Bosnia, who had the power to reimpose sanctions against Belgrade if Mr Milosevic refused to exert sufficient pressure on his former protege, also played a vital role.

Mr Holbrooke won his prize after a traditional lamb-in-yogurt dinner with Mr Milosevic. After the feast he went off to telephone Washington. On his return at 1.30am, he received the copy of Mr Karadzic's resignation faxed from Pale, the Bosnian Serbs' mountain stronghold. Mr Karadzic inked the document in the presence of Mr Jovica Stanisic, Mr Milosevic's powerful chief of secret police.

"It's not that I doubt their word," said Mr Holbrooke, adding that on the Serbian security chief's return from Pale, Mr Stanisic assured the American that the paper, if not the will behind it, was genuine.

Mr Holbrooke understands the dirty game of Balkan power politics, and he knows how to play it and win by the rules of the house.

"President Milosevic and I have negotiated for so long that we know each other's styles so well," he said by way of explaining his success with the Serb president. This even helped him change the menu on Thursday night. "I once told President Milosevic that I liked fish, so for the next 15 times we had fish. This time I told him I don't only like fish, so we went back to lamb."

Waiting yesterday on the tarmac to board his aircraft, it was clear that after six months on Wall Street Mr Holbrooke had not lost his interest in making deals in the Balkans, but he said he hoped he would not have to come back for another helping.

INTERNATIONAL NEWS DIGEST

Turkish PM to visit Cyprus

Mr Necmettin Erbakan, Turkey's Islamic prime minister, is to visit Turkish northern Cyprus today, following a recent flurry of international diplomatic activity on the island. His trip may herald a breakthrough on troop reductions on the divided island. Mr Erbakan's visit, his first foreign trip since taking office two weeks ago, follows a mission to Cyprus this week by a team of US mediators led by Ms Madeleine Albright, Washington's United Nations ambassador.

Mr Erbakan is expected today at a ceremony in northern Cyprus commemorating Turkey's 1974 invasion of the island. Mr Erbakan was deputy prime minister at the time and had urged the government to occupy the entire island. Turkish forces took 40 per cent of Cyprus and still maintain 30,000 troops there.

A UN-patrolled buffer zone separates the heavily militarised Greek and Turkish Cypriot communities. Negotiators have attempted to convince both sides to move forces away from the zone and reduce their size. Ms Albright said on Thursday that commanders from both sides would meet in Cyprus soon to discuss easing tension, including mutual withdrawal of troops from the buffer zone. *John Barham, Ankara*

Russian cabinet vote date set

Russian prime minister Victor Chernomyrdin's fate could be determined as early as August 14, when parliament plans to hold a vote on Russian President Boris Yeltsin's nominees for his second-term cabinet. According to Russian law, the newly elected president must form a new cabinet. Nominations for most senior posts, including the premier, must be approved by parliament.

Some observers have suggested that the communist-dominated parliament might reject many of Mr Yeltsin's candidates, especially the leaders who, like Mr Chernomyrdin, have pushed through the successful but often unpopular economic reforms.

However, recent negotiations between the Kremlin and Mr Gennady Seleznlev, the communist speaker of parliament, appear to have won over at least the moderate flank of the red bloc. Parliamentary approval of a new cabinet, led by Mr Chernomyrdin, would be welcome news for western investors who admire the premier's economic policies and are hoping this month's presidential elections will usher in a period of political stability. *Chrystia Freeland, Moscow*

German rate cut nearer

The chances of a further cut in German interest rates strengthened yesterday when money supply figures from the Bundesbank showed a continued decline in the growth rate and a slowdown in bank lending. Despite the weak economic recovery, the German central bank has been inhibited from further monetary easing by M3's steep rise.

The bank said M3 increased in June at an annualised rate of 9.6 per cent, down from 10.5 per cent in May and 11.2 per cent in April. Bank lending to the private sector rose 7.2 per cent (on a six-month annualised basis) compared with around 8 per cent in the two previous months.

Economists said there was a strong possibility of a cut in the securities repurchase (repo) rate when the Bundesbank held its last council meeting on Thursday before the summer break. This was unchanged at 3.30 per cent when the discount and lombard rates were cut to 2.5 and 4.5 per cent respectively in April. The bank will also review its M3 target range of 4-7 per cent growth for 1996. *Andrew Fisher, Frankfurt*

Yugoslav debt swap considered

The Yugoslav government is considering offering debt-for-equity swaps as part of its commercial debt settlement, according to media reports yesterday. The proposal, worked out by government experts, is to be presented during talks with commercial creditors on July 24.

Independent economists praised the proposal, saying it would help speed up privatisation. The economy, worn out by decline in the 1980s, the loss of markets when former Yugoslavia disintegrated in the early 1990s and by 3½ years of sanctions, cannot afford regular debt servicing.

According to some estimates, Yugoslavia – comprising the Serbia and Montenegro provinces – owes London Club creditors about $2.6bn, including unpaid interest.

The first round of talks was held in London in June when NatWest Markets was selected as chief financial adviser in negotiating the country's debt and establishing its credit rating. *Reuter, Belgrade*

Russian rail bomb planted

A powerful bomb was planted in the waiting room of a railway station in a central Russian city yesterday, but failed to go off properly, Interfax news agency said. It quoted police in Voronezh, some 350km south of Moscow, as saying that the detonator of the bomb hidden in a bag went off but failed to ignite the 1.5kg of high explosive.

The detonation simply threw the explosive charge across the station's waiting room floor, Interfax said.

"Only by a mere chance there were no casualties," city police chief Mr Viktor Troinin said.

Mr Troinin said the police already had a portrait of a man suspected of planting the bomb, which he described as a terrorist act. *Reuter, Moscow*

Protest delays FT printing

Production of part of yesterday's international edition of the Financial Times was delayed for several hours after demonstrators occupied a Turkish-owned printing plant in Frankfurt on Thursday night. About 30 employees of the Hürriyet International plant were prevented from working or leaving by 41 protesters from Kurdish minority and Turkish extreme left-wing groups.

Police said the demonstrators, carrying iron bars and wooden clubs, stayed five hours and left just after midnight. They were protesting on behalf of 1,500 political prisoners in Turkey who are on hunger strike.

The plant is owned by Hürriyet, Turkey's biggest newspaper. It normally prints 180,000 copies a day for Turkish readers in Germany, but was able to produce only a few on Friday. Frankfurt production of Friday's FT was completed, with distribution little affected in Frankfurt. Customers elsewhere in Germany and in Austria, Switzerland and Italy received copies later.

The demonstrators caused no damage and left quietly. Police detained them but later released all except one who did not have proper working papers. *Andrew Fisher, Frankfurt*

Tyre group faces Austrian boycott

By Wolfgang Münchau in Frankfurt

The Austrian trade union federation is preparing a boycott against Continental, the German tyre company, which this week decided to cut 400 jobs at Semperit Reifen, its Austrian tyre making subsidiary.

The decision by the German company is seen as a step towards withdrawing from Traiskirchen, Semperit's Austrian production base. Continental has denied suggestions that it is shifting production to the Czech Republic. The company, however, believes that it might be able to sell Semperit to an Austrian buyer.

Continental said earlier it was cutting car tyre production in half to 2m a year, in addition to 500,000 truck tyres which are not affected by the cuts. The group said the decision came after a sudden drop in the Japanese tyre market. The Austrian government is believed to be considering calling a high-level meeting with Continental executives to defuse the situation.

The proponents of a boycott are planning a nationwide advertising campaign to call on consumers not to buy Continental products. Continental said a boycott would damage the Traiskirchen production base even further.

Mr Dieter von Herz, spokesman for Continental, said "a large proportion of our group brands is being shipped into the Austrian market. Those who want to safeguard the jobs in Traiskirchen should not play with fire."

■ Austrian ski-maker Kaestle, a unit of Italy's Benetton, plans to cut up to a third of its workforce and transfer production to Slovenia.

Germany unveils plan to boost stock market competitiveness

By Judy Dempsey in Bonn

Germany yesterday unveiled plans to reform the stock market in a drive to introduce broader institutional shareholder participation and make it more attractive as a financial centre for domestic and foreign investors.

The measures reflect increasing concern by the government that unless old regulations are scrapped and tax incentives are introduced to expand capital markets, Germany will be unable to compete with other financial centres, particularly London and New York.

They also signal the changing atmosphere in Germany as the government prepares to reduce its stake in Deutsche Telekom, the telecommunications network which will be partially privatised next November through offerings aimed at individual and institutional investors.

A record number of Mittelstand, medium-sized private companies – 20 in all – went public last year.

"Our goal has been and remains to strengthen the attraction and competitiveness of Germany as a financial centre," said Mr Jürgen Stark, state secretary at the finance ministry. Earlier this week the government announced it was drawing up legislation to allow public-owned quoted companies to buy back up to 10 per cent of their capital in an effort to promote shareholder value.

The latest set of reforms are the third in a 10-year modernisation of regulations and trading. They will be submitted to the cabinet after the summer recess and could be ready to present to the Bundestag, or lower parliamentary house, by the end of the year.

They include a radical shift in the way insurance companies will be allowed to trade on the stock market. Instead of the current legislation which restricts them to trading between 5-6 per cent of their insured revenue on the market and 1 per cent in unlisted holdings, they will be allowed to trade up to 30 per cent, of which 10 per cent can be invested in unlisted holdings. "This will change the demand side of the market," an analyst said.

The Financial Markets Promotion law will undergo sweeping changes as well. Mr Stark said a 30-year liability period for company prospectus contents would be reduced to six years, while the 30-year liability period for investment advice would be reduced to three years, ridding companies of the uncertainty of being issued with delayed lawsuits. In turn, companies will face new rules on clarity.

In addition, mutual funds will be allowed to issue closed-end funds which offer investors substantial tax benefits if they invest for a specific period, while umbrella funds – funds of funds – will be given the opportunity to offer more flexible investment policies. These could include using money markets for cash mangement and over-the-counter options.

Greater scope will be given to investment holding companies too. The current system which gives them little opportunity to invest in property will be scrapped, while these companies will be allowed to reinvest their profits after one year and tax free, instead of the current six years.

Big player in this world and next

Kerin Hope examines the role of the Orthodox church in the economy in Cyprus

Asked about the finances of the Orthodox Church of Cyprus, the island's largest landowner and an important corporate player, Archbishop Chrysostomos spreads his hands wide to indicate what he claims is a sizeable operating deficit.

He says: "We're not nearly as well-off as everyone thinks. We have a heavy burden of expenses, often unforeseen. Last year we spent almost C£1m pounds on helping people with nowhere else to turn.

True, the crimson velvet armchairs in his office are worn and the Archbishopric's corridors could do with a lick of paint. But Chrysostomos's plea of poverty fails to convince many Greek Cypriots, who see the Archbishop, not to mention several bishops and the Abbot of Kykkos, the island's wealthiest monastery, as shrewd and sometimes unprincipled entrepreneurs.

Criticism of the Church's attitude to financial matters focuses on its refusal to disclose details of its assets, its tax-exempt status and its cosy relationships with Greek Cypriot politicians and businessmen who operate hotels built on church-owned land.

A senior official of Akel, the still-flourishing Cyprus Communist party which controls one-third of parliamentary seats, says: "People get upset over arrogant behaviour by the bishops and over the church's privileged tax status. But because the church has strong ties with centrist and right-wing politicians, it's unlikely that legislation to change its tax status would pass."

Abbot Nikiforos of Kykkos Monastery, which is popular with tourists visiting the Troodos mountains, is criticised for investing in a distillery for commercial production of "zivania", the 40 per cent proof Cypriot firewater made at home by thousands of islanders. His supporters argue the abbot is only following a precedent set by French monks who produce Benedictine.

Bishops do not generally sit on the boards of companies in which the church has an interest. But the Holy Synod influences decision-making by these companies and some bishops are known to keep a close eye on the balance sheets of companies in their diocese, Cypriot accountants say.

The Church of Cyprus's involvement in business dates back to Archbishop Makarios, who led the Greek Cypriots' fight for independence from British rule in the 1950s.

> Involvement in business was started by Makarios

As a community leader, the Archbishop was appointed custodian of assets left to the Greek Cypriots by Athanassios Bodossakis, a prominent Greek industrialist, financier and international arms dealer.

These included shares in Hellenic Bank, the island's third-largest commercial bank, and a controlling interest in Hellenic Mining Industries, which owns the Skouriotissa copper mines, now being reactivated in a joint venture with a Golden Plateau, an Australian mining company, Vassiliko Cement in which Italcementi has a 20 per cent equity stake, and Keo, the island's leading brewery.

Hellenic Bank earlier this year paid C£8m to acquire the Cyprus branch network of Barclays, the UK bank, as part of its strategy for expansion. The Church of Cyprus has a 15 per cent stake in the bank, which has a market capitalisation of over C£50m on the Nicosia stock exchange.

The Church also moved into electronic media as soon as broadcasting in Cyprus was liberalised, setting up a private television station named Logos (the Word). It competes for advertising with other commercial stations, as well as being a platform for the views of Archbishop Chrysostomos and other Holy Synod members.

However, Logos is making heavy losses projected at over C£1.5m this year and its future is uncertain. Its poor financial performance is focusing the Holy Synod's attention on the need for better financial management of church assets. Later this year the Church is expected to put together its first budget.

Mr Nicos Severis, a Nicosia-based fund manager, says: "Given the extent of the church's resources it shouldn't have to resort to bank borrowing to cover operating costs. What's needed is tighter management and a proper business plan."

In addition to its outlays for charity, church expenditures include the upkeep of church properties; part payment of salaries and pensions for over 600 hundred parish priests, for whom housing is also provided; helping to fund hospitals, schools and orphanages; and running a conservation department for Byzantine icons and frescoes from over 1,000 churches.

Mr Elias Pantelides, a UK-trained accountant who heads the Church's audit department, says that most church income comes from rents - including income from a dozen resort hotels and shopping centres - and share dividends. Operating losses are covered from sales of land and bank loans, which reportedly have risen to over C£10m.

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Triumph of ancient and modern for Italy's car owners

By Robert Graham in Rome

Italy's combative car owners, a vociferous lobby spread among many organisations, have won a colourful race to restore a traditional style of number plate to their vehicles.

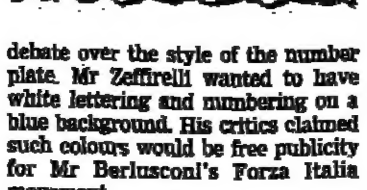
They will also become the beneficiaries of a government drive to reduce red tape, making it quicker and more simple to obtain registration documents and replacement driving licences and conduct vehicle tests.

The unpopular system of number plates based on anonymous numbers and alphabetical letters is to be phased out. In its place there will be a return to vehicles being identified by the letters of the provincial capital in which the purchaser is resident.

This long-standing practice of provincial identification was dropped as an experiment almost four years ago amidst apparent apathy. But soon protests emerged as motorists realised they could no longer tell who was a local circulating on the roads.

The first attempt to roll the clock back was by film director Franco Zeffirelli in 1994 under the Berlusconi government. This got bogged down in a politico-artistic debate over the style of the number plate. Mr Zeffirelli wanted to have white lettering and numbering on a blue background. His critics claimed such colours would be free publicity for Mr Berlusconi's Forza Italia movement.

The new style of Italian number plate



The new plates will have an off-white background and the far left will be decorated by the symbol of Europe with a big I (for Italy) underneath. Then there will be the vehicle's individual letters and numbers, followed by the identification of the provincial capital. Rome will lose the capital's privilege of having its name spelled out and will be reduced to a more humble RM.

The number plates will also become personalised, allowing owners to transfer them to another vehicle. This is part of a quiet revolution making the business of car ownership and driving more user friendly, announced this week by Mr Claudio Burlando, the transport minister.

New car registration documents will be issued directly by car sales concessionaires, avoiding lengthy queues in government offices. Red tape on the transfer of ownership, which can require more than 20 signatures, will be cut to a minimum and will be possible via post.

Compulsory tests on used cars will no longer be confined to a few government-controlled centres, but opened up to some 2,500 concessionaires countrywide.

The transport ministry reckons this measure alone will save 10m motorists a year wasting 30m hours in queues and cross-city movements.

A final innovation concerns driving licences.

These will be stripped of their photo and reduced to the size of a credit card. Motorists are also promised that lost driving licences will be replaced by post, nothing short of miraculous.

At present, if a licence is lost motorists must certify they are entitled to the licence, request a provisional one, pass a medical test, and provide proof of residence along with three photos, one of which has to be authenticated.

Samsung blushes as news war gets out of hand

By John Burton in Seoul

Most countries have newspaper circulation wars, but in South Korea the competition is literally fatal.

The killing this week of a distributor for a rival newspaper by employees of a Samsung-owned daily, Joong-ang Ilbo, has embarrassed Korea's largest conglomerate.

It has also damaged the image of Joong-ang Ilbo, whose journalistic innovations have recently grabbed readers from Korea's established, but dull, dailies.

Two Joong-ang Ilbo distributors are accused of fatally stabbing an agent for Chosun Ilbo, Korea's leading daily, as a result of a turf battle for subscribers in a Seoul suburb.

Rivalry between the two national dailies has intensified in the past year after Joong-ang Ilbo switched from afternoon to morning publication to compete directly against Chosun Ilbo.

This reflected the ambitions of Mr Hong Seok-hyun, the publisher of Joong-ang Ilbo, to make the newspaper the biggest in Korea.

With the support of his brother-in-law, the Samsung chairman, Mr Hong overhauled the staid 36-year-old daily to attract younger readers. He brightened the newspaper's lay-out and introduced lifestyle articles instead of a heavy diet of political coverage offered by the other dailies.

However, it was Joong-ang Ilbo's aggressive marketing tactics that provoked the ire of its rivals. Besides spending heavily on advertising and giving a free month's subscription to new readers, Joong-ang Ilbo offered subscribers other gifts, such as Samsung-made clocks and satellite antennas, as competition intensified.

Korea's other, mainly independent, newspapers protested that they lacked the financial strength of a corporate backer such as Samsung to match Joong-ang Ilbo's lavish promotional campaign.

Joong-ang Ilbo claims that its circulation has climbed from 1.6m to 2.2m since 1994, just behind Chosun Ilbo's 2.4m. However, it is uncertain whether these figures are accurate since circulation is unaudited in Korea. With print runs accepted as a yardstick instead, Korean newspapers frequently publish extra copies to pad circulation figures and the unsold newspapers are immediately pulped.

The killing involving the Joong-ang Ilbo distributors has now provided its rivals with the opportunity for revenge. Joong-ang Ilbo was ejected from the national newspaper sales organisation on Thursday.

The government is considering an investigation into the few newspapers that are owned by the country's big industrial groups, while the prime minister has suggested controls on newspaper sales campaigns.

To add insult to injury, Chosun Ilbo gleefully revealed this week that Samsung Electronics was the subject of an extensive tax investigation.

Meanwhile, Joong-ang Ilbo is trying to contain the damage. Its executives visited Chosun Ilbo to apologise.

"Although the persons involved were independent contractors to the newspaper, we are ashamed about the incident because the Korean public regards them as being part of the Joong-ang Ilbo family," said a spokesman.

Daniel Chandar, left, principal of the school which had 16 students on the doomed flight, while, centre and right, wreckage is recovered for the investigation Pictures: AP

Flight recorders will reveal whether bomb caused New York air tragedy

Black boxes key to TWA disaster

By Nancy Dunne in Washington

Rising winds and driving rain hampered efforts by US law enforcement officials yesterday to recover the two black box data recorders from the wreckage of the TWA jetliner which exploded over the Atlantic on Wednesday night.

The weather in New York reflected the national mood as the work of identifying the remains of the 140 victims retrieved so far began.

The crash cast a shadow down the eastern seaboard, where the Olympics were scheduled to begin in Atlanta last night.

Hoping to avoid panic over the possibility that the aircraft had been downed by a terrorist bomb, President Bill Clinton urged the public to wait for evidence before reaching conclusions. Mr Richard Gephardt, the House minority leader, yesterday said the flight data recorders could provide that evidence because a bomb would produce "a signature sound". Divers were using sonar equipment to locate the black boxes, which emit sonic signals after exposure to salt water.

Briefed by Mr Clinton, before the president's departure for Atlanta, Mr Gephardt said the president hoped to avoid panic over terrorism at the Olympics.

"The last thing we need to do is to frighten people wrongly about terrorism if it doesn't exist," the president told Mr Gephardt.

Other officials were less circumspect. New York Governor George Pataki told journalists: "There's a very simple reason why the FBI is treating this as a potential crime scene." Others said a bomb, or even a missile, was the most likely cause of the crash. Mr Robert Francis, vice-chairman of the National Transportation Safety Board, said: "The possibility of a criminal act is a distinct one."

Pentagon experts who studied prints of radar images from just before the crash yesterday largely discounted the possibility of a Stinger missile attack, saying an apparent image on the screen was an electronic "glitch" rather than an airborne object.

> 'The possibility of a criminal act is a distinct one'

The night before the crash the Senate passed legislation tightening sanctions on Iran and Libya for their support of terrorism. This legislation has been criticised in Europe but strongly backed by the families of another tragedy: Pan American Flight 103 on December 21, 1988 over Lockerbie, Scotland.

A joint police-FBI task force has taken over the investigation at the ocean site of Wednesday night's disaster. They insisted, however, that no determination had yet been made about the cause.

Federal officials were checking out claims of responsibility. On the day of the crash, Mr William Perry, the defence secretary, said the US received frequent warnings of terrorist act which it "takes seriously".

The day after the crash Ms Janet Reno, US attorney-general, said there had been two telephone calls claiming responsibility for the crash, but both had been received after the aircraft went down off Long Island.

A fax threatening to attack an American target was sent to an Arab newspaper in London the day before the explosion. Signed by the Movement for Islamic Change, it warned that "the world will be astonished and amazed at the time and place chosen by the mujahideen".

The White House dismissed that particular threat. "This falls in the hyperventilation category," said Mr Mike McCurry, the White House spokesman.

Mr Charles Wetli, Suffolk County medical examiner, said the main cause of death was "blunt force injuries", but it was possible some of the victims drowned.

Investigators urge Airbus to make changes

By William Dawkins in Tokyo

Investigators into Japan's second worse air disaster recommended yesterday that Airbus Industrie, the European aircraft consortium, make design changes to the controls of its A300-600R aircraft.

The recommendation came from the transport ministry accident investigation committee's final report on the crash of a China Airlines A300-600R at Nagoya airport two years ago when 264 people died as the CAL aircraft lost control on its landing approach.

Yesterday's report blames both human and design faults, but remains unspecific on the precise cause. It recommends that Airbus make the aircraft's navigation systems manual easier to understand, simplify the design of the control lever and install an automatic system to warn crew of any irregular movements of the horizontal tail stabilisers.

During investigations by the Japanese and Taiwanese authorities, Airbus argued that human error was the cause. The Japanese report, however, cites crew members' lack of experience and inadequate knowledge of the aircraft's operating systems.

Airbus said: "We will review the recommendations made by the committee and take necessary action where appropriate."

The crash happened after the pilot mistakenly aborted a landing, sending the aircraft into a steep climb, according to the report. The co-pilot then tried to override the aircraft's computer and go into a manual landing, causing the computer control system to compensate and forcing the aircraft into an even steeper climb. It stalled and fell tail first.

Japanese police officials are preparing a report for public prosecutors detailing possible charges of negligence against the late captain, co-pilot and CAL officials responsible for navigation. Officials are also examining whether Airbus could be liable.

EU criticism of Burma irritates Asean nations

By James Kynge in Jakarta

The Association of South East Asian Nations will not accept criticism from the European Union as it prepares to welcome Burma as an observer to its regional grouping today.

Mr Ali Alatas, Indonesia's foreign minister, said that issues of Asean's membership were decided exclusively by its seven members. He was reacting to reported comments by Mr Manuel Marin, EU commissioner with responsibility for Asia, that observer status for Burma "would be a problem".

The foreign minister said he had only read of the comments. But, "if things like this are included as part of their [the EU's] perception of co-operation, then I regret it."

The EU, in common with the US, has criticised Burma for its human rights record and lack of democracy. Passions were inflamed by the death in a Burmese prison of Mr James Leander Nichols, a businessman who was also honorary consul for Denmark, Norway, Sweden, Finland and Switzerland. Burma's military rulers say he died of a heart attack but there are suspicions that he was tortured.

Asean officials say that political problems in Burma are the internal affairs of that country. The issue is not on the agenda for today's Asean foreign ministers' meeting.

Observers say Asean sees it as crucial to its future to embrace Burma, mainly because its admission will bolster Asean as a meaningful counterweight to China's expanding military and political power. Beijing and Rangoon have been forging a close military relationship.

An illustration of Asean's interest in Burma is the fact that a high-profile inauguration ceremony to grant it observer status is planned at the start of today's meetings.

In contrast to the EU, the US is believed to favour a more conciliatory stance.

Mr Warren Christopher, the US secretary of state, is due to attend the Asean regional forum, a conference on Asia-Pacific security involving 21 foreign ministers next Tuesday. Mr Christopher is scheduled to meet his Chinese counterpart, Mr Qian Qichen, as part of an attempt to establish more regular high-level exchanges as ties thaw between Washington and Beijing.

Asean is expected to urge China to stop testing nuclear weapons and recommend that India supports a worldwide ban on nuclear tests.

On trade, a communiqué from the seven – Malaysia, Thailand, the Philippines, Vietnam, Indonesia, Brunei and Singapore – is expected to show progress in "harmonising and simplifying" customs procedures.

Finance ministry fears interest costs may become unsustainable

India warned on high level of public debt

By Mark Nicholson in New Delhi

India's finance ministry warned yesterday that the rising interest costs of government debt could become "unsustainable" without a cut in the fiscal deficit and the retirement of some debt.

The ministry's warning follows similar expressions of concern from the International Monetary Fund, World Bank and India's central bank over the past year.

The ministry's traditional pre-budget Economic Survey also says there are indications that slowing growth in state-dominated infrastructure sectors, most acutely in power generation, threatens to undermine buoyant industrial and economic growth. The survey says revised figures show India's GDP grew by 7 per cent last year, against previous estimates of 6.2 per cent.

The warnings are expressions of the ministry's concern rather than direct pointers to government policy, but they suggest Mr P. Chidambaram, the finance minister, will make control of the fiscal deficit a priority in his first budget for the five-week-old United Front government on Monday.

India recorded a fiscal gap of 5.9 per cent of GDP last year and the new government has said it aims to cut this to below 4 per cent, though a target of 5 per cent is more likely to be set for the fiscal year ending next March. However, the coalition government, which embraces communist and other left-leaning parties, has also pledged to raise spending on agriculture, infrastructure, social services and public enterprises.

The survey indicates that Mr Chidambaram has little room to accomplish this balancing act – due largely to the rise in size and servicing costs of state debt. It says interest payments on government debt have risen from 39 per cent of government receipts in 1990-91 to 47 per cent in the last fiscal year.

Current spending, embracing interest costs, rose to 78.4 per cent of the total last year, up from 69.8 per cent in 1990-91, while capital spending fell over the same period to 21.6 per cent from 30.2 per cent.

Moreover, the cost of government debt has also been rising as the government has shifted in recent years from obtaining low-cost funds from public sector banks towards borrowing on the open market. High borrowings last year raised interest rates and brought squeals from industry of a "liquidity crunch".

According to Ms Vidula Warawdekar, chief economist at Jardine Fleming in Bombay, the average interest rate on government debt – which stands at 68 per cent of GDP – has risen from 7.6 per cent in 1990 to 9.7 per cent last year.

Indian industry and economists expect Mr Chidambaram to announce new revenue-raising measures in the budget, which may include a new asset-based tax on corporations, a measure designed to bring "zero-tax" companies into the tax net. Hundreds of India's biggest and most profitable companies currently take advantage of generous depreciation and investment exemptions to pay no tax at all.

However, many economists believe India's rising internal debt mountain can be tackled only by retiring some of the debt through selling public assets and enterprises. But this is highly controversial among some of the government's 13 member parties.

Retired general agrees to give opening night address at convention

Dole strategists draft in Powell

By Jurek Martin in Washington

Retired General Colin Powell will give an opening night speech to the Republican convention in San Diego next month, as requested by Mr Bob Dole, the party's presumptive presidential candidate.

Mr Dole's strategists hope the appearance of the former chairman of the joint chiefs of staff, whose support for Mr Dole has been lukewarm to date, will underline the party's "mainstream" credentials. In the same vein, Ms Susan Molinari, a moderate congresswoman from New York, was chosen earlier this week to give the closing night's keynote address.

This would stand in sharp contrast to the Houston convention four years ago when a fiery opening night speech by Mr Pat Buchanan on "cultural and social wars" upstaged former president Ronald Reagan's performance and left the impression of a party in the grip of its dogmatic right wing.

Mr Powell, who will speak after addresses by ex-presidents George Bush and Gerald Ford and following a tribute to the ailing Mr Reagan, might draw some attention from the fact that the first night is also reserved for approval of the party platform.

This document remains controversial, especially on the question of abortion. Although Mr Dole has won the inclusion of a generalised declaration of "tolerance", it again calls for a constitutional amendment to ban abortion, a position which divides many Republicans.

Meanwhile, the Senate was set yesterday to follow the House and pass a new Republican welfare reform bill. This could present President Bill Clinton with something of a dilemma and test what has been this year's impressive unity of the Democratic party.

Powell: support for Dole has been lukewarm

The bill was stripped of provisions, mostly affecting Medicaid, that forced two earlier presidential vetoes but is still intensely disliked by a clear majority of Democrats.

However, Mr Clinton, not wishing to be accused by Mr Dole of blocking a popular reform, has hinted he could sign the new version if proposed cuts in the food stamp programme and the exclusion from state education of the children of illegal immigrants are modified.

The House bill, which differs from the Senate's, would cut the projected growth in welfare spending by about $60bn over the next six years. It would place a five-year limit on entitlement to welfare benefits, oblige recipients to seek work and turn many federal programmes over to the states.

Desperate to pull the plug, Page 8

INTERNATIONAL NEWS DIGEST

IMF loan for Kazakhstan

Kazakhstan officials yesterday said the International Monetary Fund had offered a $450m loan following the country's tough monetary reforms.

To qualify for the three-year extended fund facility, Kazakhstan pledged to reduce annual inflation to 26-28 per cent by the end of the year, compared with 160 per cent last year. The budget deficit is to be cut to 2.8 per cent of gross domestic product, of which the central bank will finance only 0.8 per cent.

Shortly before the IMF board approved the loan on Wednesday, the government removed the last remaining barriers on capital flows, fulfilling a key IMF requirement. The central bank has promised not to finance any bail-outs of struggling commercial banks which have been hit by a looming inter-enterprise debt crisis. Government officials pledged to raise tax revenues from 13 per cent to 20 per cent of GDP, mainly by improving tax collection and by taxing oil and gas products. *Sander Thoenes, Almaty*

Doubts over Japanese recovery

A question mark was raised yesterday over the strength of Japan's consumer recovery, when the government announced that household spending fell in May for the second month in a row. Household spending declined by 1.4 per cent last month from May 1995, after a 0.7 per cent year-on-year decrease in April, which broke three consecutive months of growth, according to data released by the Management and Co-ordination Agency. The drop in spending conflicts with the assessments of consumer recovery by the Bank of Japan and the Economic Planning Agency. A Management and Co-ordination Agency official argued that consumer spending growth early this year was weaker than suggested by the data, because it came after a period of unusually low spending early last year. *William Dawkins, Tokyo*

China's GDP growing at 10%

China registered 9.8 per cent real GDP growth in the first half of 1996 compared with the same period last year, the State Statistical Bureau reported yesterday. Inflation continued to abate in the six months, with retail prices up 7.1 per cent over last year. Prices rose 14.8 per cent in 1995.

Industrial output has grown 13.2 per cent this year. Investment in fixed assets for both state-owned enterprises and others is up by 18.6 per cent. Foreign investment has continued to flood into China with $19.7bn of funds utilised, up 20.2 per cent over the same period last year.

● Devastating floods across China have left 716 dead, and nearly 4m stranded. Two million have been forced to leave their homes, according to the ministry of civil affairs. Losses from flooding of farmland and damage to property is estimated at Yn40bn ($4.8bn). *Tony Walker, Beijing*

Mongolia picks liberal PM

Mongolia's parliament, the Great Hural, elected Mr M. Enkhsaikhan as prime minister following elections this month in which the Democratic Union coalition won a surprise landslide victory over the once-communist People's Revolutionary party.

Mr Enkhsaikhan, 41, is a liberal economist who previously served as chief of staff of President Punsalmaagin Ochirbat, himself a coalition supporter. His election, by 49 votes to 24, reinforces expectations that the new government will take a sympathetic attitude to foreign investment. It hopes foreign capital will boost Mongolia's depressed living standards by enabling the country to exploit its natural resources, though western diplomats warn that lack of infrastructure remains an obstacle. *Peter Montagnon, Asia Editor*

Brazil passes mobile phone law

President Fernando Henrique Cardoso of Brazil yesterday sanctioned a law opening cellular telephone services to the private sector. A dozen consortia formed by international operators and local banking and industrial groups are preparing to bid for concessions to operate the services: the first are expected to be awarded by the end of the year.

Mr Sérgio Motta, communications minister, said the country would be divided into 10 concession areas. Brazil's telephone services are currently provided by 27 federally controlled companies operating in individual states, plus one state-owned company. Consortia will be invited to provide cellular services using the so-called B-band. Services on the alternative A-band will continue to be provided by the public-sector network.

The government hopes to privatise the network by the end of 1998. *Jonathan Wheatley, São Paulo*

Exchange denies favouring marketmakers

By John Gapper, Banking Editor

The London Stock Exchange defended itself yesterday against an accusation from a committee of MPs that it was unduly favouring the "short-term sectional interests" of five large investment banks that act as marketmakers.

Mr John Kemp-Welch, the exchange's chairman, said it had to consult "the widest range of market participants" before it introduced radical changes to the system of equity trading on the exchange.

Mr Kemp-Welch was responding to a report on the future of the exchange by the House of Commons treasury committee, which argued that it had diluted its commitment to trading reforms as a result of opposition from marketmakers.

The committee, which visited New York to seek the views of investors, also said the exchange was in danger of losing pan-European business to big mainland European exchanges such as those in Frankfurt and Paris.

The report says that "despite threats from continental exchanges, the London Stock Exchange still appears to have great difficulty in taking a strategic view on important issues and following a coherent policy through to fruition".

The large marketmaking firms provide liquidity by quoting constant two-way prices in shares. The exchange intends moving to a market where the basic trading method would be participants placing orders on screens.

The committee's report, published yesterday, says that the exchange's proposed market structure "constitutes only a small step towards the introduction of order-driven trading" due to marketmakers' opposition.

Mr Kemp-Welch said the Securities and Investments Board and the Treasury wanted a "balance for all market participants". The exchange would "move forward as swiftly as possible, but at a pace which is acceptable and workable".

The report says "a major problem" has been an appearance that "the short-term sectional interests of those who work in the market, in particular the marketmakers, have sometimes predominated and blocked necessary changes".

It supports the argument of securities houses such as Salomon Brothers that a transparent market in which all participants can see the process of price-setting is vital, and that "given transparency, liquidity will follow".

It questions whether privileges should be extended to the "registered principal traders" taking over from marketmakers under the exchange's proposed new market. It says that these privileges may not be required for liquidity.

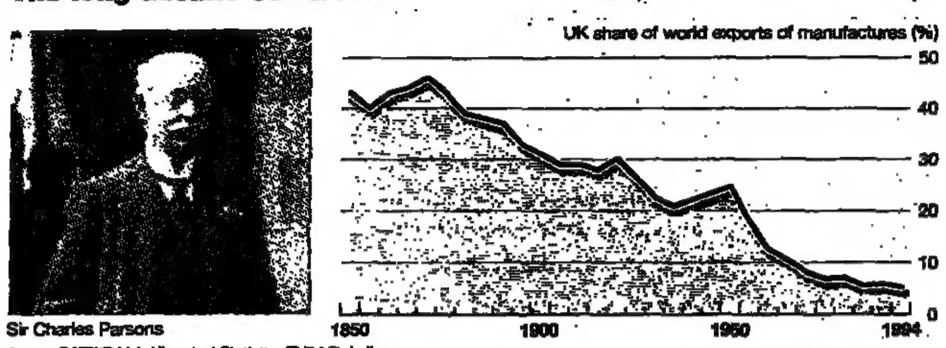
The chief financial services regulator, the Securities and Investment Board, and the exchange have just completed consultations with City of London investors firms on the new market structure, and the terms for extending the current stamp duty exemption for marketmakers to registered principal traders.

A shadow hangs over Parsons, a famous name in British engineering, now up for sale

Rolls-Royce concludes historic chapter

By Stefan Wagstyl

The long decline continues



Sir Charles Parsons

Source: GATT/British Historical Statistics/B R Mitchell

The threat of closure which now hangs over Rolls-Royce's steam turbine power generation business casts a shadow over a famous name in British engineering – Parsons.

The modern steam turbine was patented by Sir Charles Parsons in 1884 and first built at his factory, CA Parsons, on Tyneside in the north-east of England.

Sir Charles's turbines laid the basis of the modern electricity industry, making it possible to build efficient large power stations.

But the company did not fully capitalise on Sir Charles's invention. By the 1930s, CA Parsons had been overtaken by rival manufacturers, notably Siemens of Germany and General Electric and Westinghouse in the US.

After the second world war, the nationalisation of the electricity industry in the UK and elsewhere, created captive markets for domestic equipment producers. By the mid-1960s, Parsons employed 12,000 workers and flourished on business from the Central Electricity Generating Board, which treated suppliers generously.

Parsons merged in 1968 with Reyrolle, a neighbouring maker of electrical switchgear, to form Reyrolle Parsons. But the group was overshadowed by Mr Arnold (now Lord) Weinstock's creation of the General Electric Company from the merger of Reyrolle Parsons' competitors – English Electric and AEI.

By the early 1970s, a slowdown in CEGB orders made it clear the UK had excess capacity in power generation equipment. There were two turbine makers – GEC and Reyrolle Parsons – and two boilermakers – Clarke Chapman and Babcock International.

The government wanted a four-way merger to create a national champion, but the proposals stumbled on local and corporate rivalries, including Reyrolle Parson's fear of being swallowed by GEC. Instead, to compete better in markets increasingly dominated by giants, Reyrolle Parsons merged in 1977 with Clarke Chapman, to form Northern Engineering Industries (NEI).

The rivalry with GEC continued. In the 1980s, growing global competition and the onset of liberalisation in the electricity industry led even GEC to pool its power and transport businesses with France's Alcatel Alsthom to form GEC Alsthom.

By 1989, NEI realised the break-up of the CEGB was changing its world for ever. It agreed to a £304m takeover by Rolls-Royce.

Rolls-Royce bought NEI to diversify away from aero-engines which then accounted for 90 per cent of sales. But the combined group has found it difficult to compete in large steam turbines against bigger competitors at a time when the growth has been in gas turbines.

Employment at Parsons fell relentlessly from 5,300 in 1985 to 1,700 this year. Rolls-Royce has every hope of finding a buyer for Parsons and for International Combustion, the boilermaker, in the northern English town of Derby. But if it does not by the time the order book is completed in the middle of next year, then the future for Parsons will be bleak.

The proposed sale makes considerable sense for Rolls-Royce. The company has broadly achieved its aim of reducing its dependance on aerospace, with its turnover falling to 66 per cent of last year's £3.6bn ($5.61bn) turnover. It has also succeeded in developing profitable ties between its gas turbine aeroengines and industrial gas turbines, which are used in small power stations. NEI's electrical switchgear business has fitted well into these businesses.

But large steam turbines and boilers, which accounted for about 30 per cent of NEI, have not fitted as well into Rolls-Royce's overall plan. Prices have been falling by 10-15 per cent a year, due to the increasing globalisation of competition following the deregulation of electricity generation in many countries, including the US and the UK.

Volume demand has grown, particularly in China and other developing countries, but overcapacity has kept rival manufacturers cutting prices.

Moreover, much of the growth has been in gas turbines, as demand for power equipment has shifted from big coal-fired 400 megawatt steam turbine plants run by large utilities to smaller stations run by private companies, using gas turbines, with capacities of up to 150 megawatts.

Steam turbines are still in demand, notably in coal-rich countries such as China and India, but the combination of price-cutting and the need to secure business in difficult conditions in developing nations has made the business increasingly tough.

Moreover, supplying large turbines under such conditions has often meant taking responsibility for the whole power station construction contract, including local sub-contractors. This is a high-risk low-return business best left to giants such as Siemens which spread risks over many contracts – not for smaller companies such as Rolls-Royce.

Rolls-Royce lost ground to competitors, including GEC Alsthom which established a lead in the crucial Chinese market.

MPs to question Barings managers

By John Gapper, Banking Editor

Former senior managers of Barings, the merchant bank that collapsed last year as a result of £830m of derivatives losses amassed by the trader Mr Nick Leeson, face further accusations of negligence and possible conspiracy next week.

The accusations are likely to come from two former senior managers, Mr Ron Baker and Mr Ian Hopkins, who believe that they have been unfairly blamed by the Bank of England – the UK's central bank – and the regulatory Securities and Futures Authority for their roles.

Mr Baker, former head of derivatives trading at Barings, denies responsibility for allowing the collapse to happen, and has appealed to an SFA tribunal against a proposed three-year ban on working in an equivalent management role in the City of London. The hearing is due this autumn. Mr Hopkins was criticised in the Bank's board of banking supervision report last year and faces disciplinary action by the SFA.

Mr Hopkins, who will be giving evidence to the House of Commons treasury committee for the first time, is likely to claim that he voiced warnings about flaws in Barings' internal controls.

Mr Hopkins, who became head of group treasury and risk six months before the collapse in February 1995, is likely to argue that he warned Mr Peter Norris, the former chief executive, repeatedly of potential weaknesses.

Mr Baker, who has accused fellow managers at Barings of "knowingly or unknowingly conspiring" with Mr Leeson is to give further details of why he believes he should not be blamed for failing to stop it.

Mr Baker has argued that he was given effective control of Mr Leeson only six weeks before the collapse.

He said yesterday he believed that Barings persistently broke Securities and Futures Authority regulations on the use of customer deposits for two years before the collapse.

Sir Thomas Arnold, the committee's chairman, has said that it does not want to apportion blame for the collapse, but is seeking broad lessons. However, both Mr Baker and Mr Hopkins' testimony may reflect badly on former colleagues. These include Mr James Bax, the former head of Barings' south-east Asian operations, and Mr Simon Jones, the operations manager for the region.

UK NEWS DIGEST

MP to resign over sterling

Mr David Heathcoat-Amory, a junior Treasury minister who has also served in the Foreign Office, is planning to resign so that he can argue publicly against sterling ever joining a single currency.

The Eurosceptic minister, whose full title is paymaster general, has told friends that he wants to quit. He may depart in next week's ministerial reshuffle.

The government's fragile unity will be endangered by the disclosure of Mr Heathcoat-Amory's unhappiness at the prime minister's policy of keeping options open on whether sterling should ever participate in monetary union.

Only on Thursday night, the prime minister, Mr John Major, urged Tory backbenchers not to show the slightest sign of division in the run-up to the general election. There were signs yesterday that last ditch attempts are being made to keep Mr Heathcoat-Amory on board.

Tory Eurosceptics are continuing to put strong pressure on the cabinet to abandon what they perceive as an equivocal approach to monetary union. "We must go in to the election firmly against a single currency", one said yesterday.

Although the prime minister is thought to be privately opposed to sterling ever participating, he cannot disclose his views without risking the collapse of the government. *Robert Peston, Whitehall*

■ MAIL STRIKE

Monopoly suspension threatened

The government intends to suspend the Royal Mail's monopoly on letter deliveries from next Friday 26 July initially for a month unless the postal workers dispute is called off by then.

Mr Ian Lang, trade and industry minister, said yesterday the onus of responsibility for the government's decision lay squarely with the Communication Workers union. "If they do not call off their industrial action, Post Office employees will know it is their bone-headed union which is responsible for the loss of the monopoly", he said.

The Royal Mail monopoly will be suspended for a period of a further three months if the current disruption of services continues into September, added the government. *Robert Taylor, London*

■ RADIOACTIVE WASTE

Campaigners target shares

Campaigners against a proposed Oxfordshire storage facility for low-level radioactive waste said yesterday they would lobby against the stock market flotation of AEA Technology, the state-owned nuclear science and services company.

AEA Technology is joint owner of Safeguard International, a company which plans to sort, store and transfer low-level radioactive waste in a garage at Culham, about seven miles south of Oxford. The proposal, which requires a licence from the Environment Agency, is strongly opposed by local residents and the parents of children who attend two nearby schools.

Until now, the protesters have focused on Amersham International, the publicly quoted health science company which owns the other half of Safeguard.

Dr John Maynard, Amersham's managing director for health care, gave an assurance yesterday that sealed radioactive sources used by hospitals and research laboratories would never be present at Culham. *Clay Harris, London*

■ CJD

Hormone treatment criticised

Families of people who died of Creutzfeldt-Jakob disease after receiving growth hormone treatment as children, yesterday won a six-year legal battle against the Department of Health. A High Court judge ruled the department should have acted on warnings of CJD being contracted and stopped using the treatment after July 1977, when it took over responsibility for it from the Medical Research Council.

Mr Justice Morland said that a "lethargy" and a "lack of urgency" had crept into those overseeing the use of the hormone treatment after the department took over. But the judge ruled that it had not been negligent in cases where children were given the treatment between 1958 and 1977 and he cleared the MRC, which first administered the programme, of any blame.

Since its introduction in 1958, almost 2,000 children received the treatment, which involved removing the hormone from the pituitary gland of human corpses. A total of 16 have died and a further three are suffering from CJD.

The issue is not related to the current beef scare and fears that CJD could be contracted from eating meat from cattle infected with bovine spongiform encephalopathy, he stressed. *John Mason*

■ PRIVATISATION

Spy recruitment sale planned

The recruitment of spies and future ambassadors could fall into the hands of an overseas-owned agency if new government privatisation plans go ahead, a House of Lords committee warned yesterday.

Mr Michael Heseltine, deputy prime minister, plans to sell the Recruitment and Assessment Service, the body responsible for recruiting Whitehall high-flyers – including members of the intelligence services. But the sale has been heavily criticised by peers, who say the privatisation could pose a risk to national security. *George Parker, Whitehall*

Tractor producers set to lead market

By Peter Marsh in London

Britain is poised this year to become Europe's biggest producer of agricultural tractors by volume. It looks as though the UK will be slightly ahead of Italy and well in front of Germany – which had the edge on Britain as recently as 1992.

In 1996, according to industry estimates, the UK will make some 69,000 complete tractors plus a further 11,000 in "knock-down" kits. Of the total, worth some £1.5bn ($2.34bn) at customer prices, about 15 per cent will be exported.

Last year, according to Off-Highway Research, a London consultancy, Britain made 64,400 tractors, 30 per cent of the European total. The proportion has risen steadily since the late 1980s when Britain's share hovered around 23 per cent. In 1995, Italy was marginally ahead of the UK in production with 70,000 machines. Many of these were low-horse-power "mini-tractors", of lower sales value than the average UK-built machine.

The big loser over the past decade has been Germany, where tractor production has declined from 70,000 to 80,000 a year in the late 1980s to about 60 per cent of this figure.

While all the three main producers of tractors in Britain are foreign-owned, the sector supports a largely UK-owned components sector comprising hundreds of companies employing several tens of thousands of people.

Part of the reason for Britain's leading role in tractors, according to Mr Chris Barrow-Williams of Off-Highway Research, is "strong management at the main UK-based tractor companies which have defended their position very well".

Another factor is a long run of fairly high demand from UK farmers who have been among the leaders in Europe in mechanisation.

BSE scare boosts demand for organic food

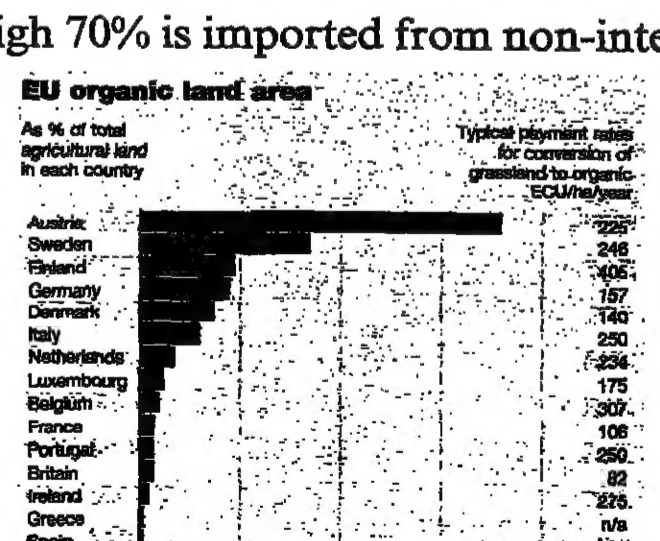
Demand is so high 70% is imported from non-intensive farming suppliers overseas

Few would admit to rubbing their hands in glee over the beef crisis – but the ill wind of mad cow disease is certainly blowing some good over the organic farming movement.

Demand for organic produce, which is grown without artificial chemicals and fertilisers, has been reviving by the month. The crisis over bovine spongiform encephalopathy (BSE) and continuing concern over intensive food production has given it an extra boost.

But such is the imbalance between supply and demand that 70 per cent of the £200m ($312m) worth of organic food sold in the UK last year was imported.

EU organic land area



Source: Welsh Institute of Rural Studies, University of Wales

The Organic Milk Suppliers' Co-operative, based in Axbridge, Somerset, provides 9.5m litres of organic milk a year – including 1.5m litres from the Netherlands – to dairies and processors.

"We're quite confident we could sell 20m litres," says Ms Sally Bagenal, its operations manager. To attract bigger supplies, the co-operative has just started offering conventional farmers a premium of 1p per litre over the standard price if they go organic.

The organic sector in the UK is still tiny, accounting for between 1 per cent and 2 per cent of the retail food market. There are only about 800 producers farming 50,000 hectares, or 0.3 per cent of agricultural land, said the Soil Association, which monitors and promotes organic production.

It argues that at least 10 per cent of farmers – especially dairy and livestock producers – could profitably become organic, taking into account changes in farm management and average premiums of 25 per cent over conventional produce for their output.

Growth is partly hampered by the government's tight-fisted approach to support, said Mr Francis Blake, the association's deputy director. Sweden, Denmark, Austria and some German states are committed to putting 10 per cent of farmland into organic production by 2000. The UK target is to treble the organic area to 90,000 hectares over the next three years – still leaving it well below 1 per cent.

Some 20,000 hectares have gone organic since September 1994, under the government's £1.5m-a-year organic aid scheme for converting farmers. But most of this is rough grazing land, "which is not contributing materially to the organic production base," said Mr Blake.

The agriculture ministry announced this month that it would contribute £150,000 to an information service run by the Soil Association to encourage farmers to convert. It takes two years, from the last use of chemicals to planting the first organic crop. For livestock farmers, it can take two more years before their animals are ready for sale. A disincentive for arable farmers is the possible loss of European Union area payments.

Because organic producers tend to be small and scattered, distribution and marketing are also a problem. Meat marketing is so poor that about half the cattle and sheep reared organically end up being sold as conventional meat.

An Organic Livestock Marketing Co-operative was launched this month to negotiate prices for its members and encourage more abattoirs to register for organic production.

Organics will still remain a niche market however unless the supermarkets can be won over. Progress is variable. J. Sainsbury said its organic fruit and vegetable sales had been fairly steady at just 1 per cent of fresh food sales for the past few years, whereas Waitrose, the rival upmarket food chain, reported that organic sales had more than doubled in the past year.

Alison Maitland

Lloyds Chemists bidders face tough ruling

By Christopher Price

Mr Iain Lang, the trade and industry secretary, yesterday took the unusual step of demanding that the bidders for Lloyds Chemists identify buyers by October 18 for the bulk of the target's wholesale drugs business.

The harsher than expected ruling prompted a cautious response from Gehe, the German drugs wholesaler, which said that while it could meet the DTI's requirements, the ruling altered the synergies of its proposed £650m cash offer. The group also expressed concern over the recent profits warning by Lloyds.

Gehe's rival, UniChem, which made a £630m cash and share offer, said it would also be able to abide by the ruling. But privately, its advisers expressed concern over the effect of the disposals and the warning on the price of any new offer.

While both companies have an interest in deflating Lloyds' share price, analysts said the tone of their response could point to lower offers being tabled should they return to the fray. Lloyds shares ended the day 6p higher at 481p.

The harshness of the ruling was attributed by observers partly to the fact that two of the five Monopolies and Mergers Commission members recommended that the bids should not be allowed, as did the director general of the Office of Fair Trading.

There were also suggestions that the DTI was taking a tougher line following other recent rulings which companies have been slow to fulfil, such as Granada's agreement to dispose of certain motorway service stations following its takeover of Forte.

The offers for Lloyds were referred to the MMC in March because of the implications for the UK wholesale drugs distribution market. UniChem and Gehe each have about 30 per cent of the market, while Lloyds has about 10 per cent.

Because of the geographical distribution of their networks, Gehe must dispose of seven wholesale centres, while UniChem has to sell six.

Both companies said they would have to seek buyers from among the highly regionalised and otherwise fragmented wholesale drugs market and expected to have to strike deals with more than one buyer. Both said they did not expect to make an announcement in the near future while they considered their positions.

Lloyds issued its profits warning two weeks ago, blaming the bids for distracting management and demoralising staff. It said second-half profits would decline as a result. Analysts cut their forecasts from £58m to £50m for the full year.

The prize for both companies is Lloyds' 924 pharmacies. UniChem has 424, and Gehe, which entered the UK wholesale market last year with the £400m purchase of AAH, has 300 outlets.

Burton moves to home shopping with Innovations

By Christopher Brown-Humes

Burton, the clothing retailer, said yesterday it was making its first move into home shopping after agreeing to buy Innovations, a direct mail order company, for £44.9m.

The offer at 310p represents a historic p/e of 40. The target's share price jumped 101p to 313p. Innovations, formerly known as Kleeneze Holdings, was put into play several months ago when there was talk of it going private, and Burton had to beat off competition from at least one of the big mail order catalogue groups. On Wednesday, after its shares rose 15p to 195p, Innovations confirmed it had received approaches from third parties which could lead to an offer.

Innovations gives Burton a channel to distribute its brands, including Debenhams, Burton Menswear, Dorothy Perkins, Principles and Top Shop/Top Man. It also gives the group access to a 5m customer database and systems and marketing expertise. The bid is backed by Innovations directors, who hold 50.2 per cent of the shares.

Innovations achieved pre-tax profits from continuing operations of £1.8m on turnover of £75.4m in the 16 months to December 1995. Its flagship catalogue deals mainly in hard-to-find household goods, like battery chargers, thermometers, and specialist torches.

Burton hopes to follow the successful path taken by Next into direct mail order retailing.

Mr Andrew Higginson, finance director, said: "Instead of starting our own operation, we have bought a successful business which gives a leg-up and puts us a long way up the mail order learning curve.

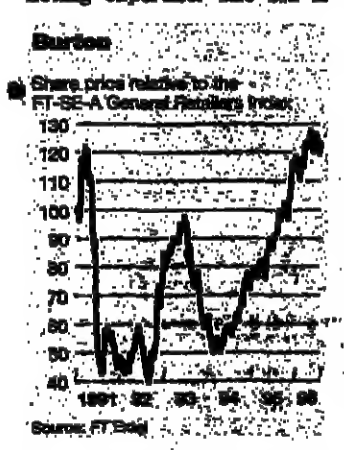
"This will be an important business for us in several years time. The home shopping trend should be driven by pressure on people's time and improved technology."

Burton also announced stronger-than-expected recent sales growth and margin improvement, prompting a 6¾p jump in its share price to 151¼p as analysts upgraded profit forecasts.

Sales rose 8.5 per cent in the 19 weeks to July 13, with turnover at Debenhams climbing 8.8 per cent and at the multiples by 8.3 per cent. Burton Menswear remains the laggard, with sales only "slightly ahead" of last year.

Analysts said the pick-up in sales momentum confirms a revival of consumer confidence and the group's efforts to revive its fortunes over the past two years. They lifted full-year forecasts by about £10m to £140m-£145m.

See Lex



Lydia van der Meer

Under a double shelter – Richard Gamble (left) with Roger Taylor: the new group 'will offer more than the sum of the two parts'

Debut for Royal & Sun Alliance

By George Graham, Banking Correspondent

Royal & Sun Alliance made its stock market debut yesterday after completion of the largest merger in the UK insurance sector.

The company, formed from the combination of Royal Insurance and Sun Alliance, said it was "shaping up to create a new group that will offer more than the sum of the two parts that we have just brought together".

However, investors, who greeted the merger announcement in May with enthusiasm, have since shown scepticism about benefits from eliminating duplicate activities.

The shares rose 5¼p yesterday to 370½p – 10.5 per cent lower than the 414p Sun Alliance shares reached after the merger announcement.

The company – which said the merger would bring cost savings of at least £175m a year by 1998 – had already made 44 management appointments and identified 80,000 sq ft of surplus office space in central London. But analysts said it could not properly set about tackling overlaps until the merger was formally completed. Managers in some of the more obviously duplicated divisions, such as fund management, are bracing themselves for sharp cuts.

Based on 1995 figures, the combined group would have had £9.39bn premium income and pre-tax profits of £1.03bn.

● Royal & Sun Alliance confirmed the composition of its new board yesterday. Sir Christopher Benson, who chaired Sun Alliance, will be chairman. Mr Allan Gormly, Royal's chairman, becomes non-executive deputy chairman. Mr Roger Taylor, chief executive of Sun Alliance, becomes executive deputy chairman. Mr Richard Gamble, from Royal, becomes chief executive.

Setback for hopes of Blenheim bid

By Geoff Dyer

Hopes that United News & Media was close to agreeing the terms of a takeover bid for Blenheim Group, the exhibitions organiser, received a setback yesterday after the expiry of an exclusivity agreement between the two companies.

The agreement, signed by the two this month, prevented Blenheim from negotiating with any other potential bidder.

United, the publishing, media and financial services company, has been in talks with Blenheim since early June when it made an initial approach which could have led to a £490m bid, although no formal offer has been made. Blenheim has been holding out for a higher price.

However, although the agreement has expired, it is understood United has not withdrawn from the talks and is still a potential bidder. Both United and Blenheim refused to comment yesterday.

The lapsing of the agreement opens the way for Blenheim to talk to other possible suitors. Analysts have speculated that potential bidders might be Softbank, the Japanese software distributor, Reed International and CEP, the French trade press group.

Analysts said if an offer were to be successful, it would almost certainly need to be on an agreed basis as shares in Blenheim are tightly held.

Directors and their relatives control 25 per cent of the equity and a further 15.4 per cent is in the hands of Compagnie Générale des Eaux, the French utility, which has supported the management.

Shares in Blenheim jumped 47 per cent in the first week of June to a high of 470p on hopes of a United bid. However, the shares have slipped back this week, closing down 5p at 424p yesterday, after speculation that a deal was imminent proved unfounded. Shares in United rose 2p to 631p yesterday.

Blenheim, one of the glory stocks of the 1980s, has been attempting to restore its credibility in the City in the past year after a succession of broker downgrades and profits warnings. In 1995 pre-tax profits rose 17 per cent to £35.6m.

Westminster counts cost of failed bid

By Justin Marozzi

Westminster Health Care's £70.5m unsuccessful bid for rival Goldsborough cost it the best part of £10m including share purchases, it emerged yesterday.

Mr Pat Carter, chief executive, said fees amounted to £2.5m-£3m. It also bought 4m shares at an average price of 173p. Paper losses on these amounted to about £1.5m, based on yesterday's Goldsborough share price of 136p.

Goldsborough faces a bill for defence costs of about £1.5m. The company said: "We would much rather not have spent this money and we can see a case for the costs of unsuccessful predatory actions such as this being paid for by the predator."

Westminster's expenses, other than share purchases, were originally estimated at £4.1m but were reduced both by the brevity and the failure of the bid. Savings of up to £900,000 had been made on the estimated £2.5m of advisory costs, underwriting costs were trimmed from £1.6m to £900,000, and £400,000 stamp duty had not been incurred.

Mr Carter denied Westminster had been hurt by the costs. "You go into these things knowing what they're going to cost you, win or lose."

Mid Kent abandons incentive scheme

By Jane Martinson

The French predators of Mid Kent Holdings have forced the water supplier to abandon plans for a long-term incentive scheme for directors and a share buy-back.

The rejection of the proposals by Saur and General Utilities, which together hold 39 per cent of Mid Kent, marks an escalation of tension between the parties. Their joint bid is being investigated by the Monopolies and Mergers Commission which is not due to make a decision until September.

Mid Kent said the votes were a "spoiling tactic". Yesterday it published a response to criticism of its customer service record and financial performance made by GU at its annual meeting on Thursday.

The long-term share plan would have awarded most Mid Kent directors 30 per cent of their basic salaries based on growth in earnings per share and dividends. Mid Kent said yesterday the scheme would be put to shareholders again.

Nightfreight lifted by outsourcing trend

Nightfreight, the express parcel and freight carrier, yesterday reported a 32 per cent increase in interim pre-tax profits to £1.81m.

Mr Russell Black, chief executive, said Nightfreight was benefiting from the trend of manufacturers and importers to outsource delivery fleets.

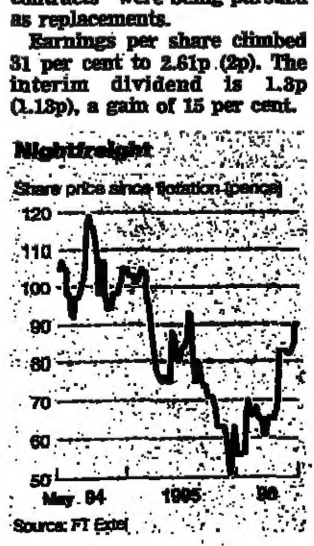
Turnover rose 51 per cent to £38.3m in the six months to May 31.

The company runs a distribution network with 44 depots, of which it owns 20. Sovereign Despatch, acquired last June, was trading "behind expectations" after considerable investment in management.

Mr Black said he hoped to be able to announce two contracts worth about £750,000 each before the end of the year.

The loss of the three-year contract to distribute The Independent and Independent on Sunday had "hurt" Nightfreight but "several smaller contracts" were being pursued as replacements.

Earnings per share climbed 31 per cent to 2.61p (2p). The interim dividend is 1.3p (1.13p), a gain of 15 per cent.



Excalibur in the red after restructuring and disposal costs

By Patrick Harverson

Disposal and restructuring costs pushed Excalibur, the engineering and consumer products group, into the red last year.

A reversal from pre-tax profits of £2.05m to losses of £5.69m in the year to April 30 reflected £6.25m of exceptional items related to losses on sold businesses and discontinued operations, restructuring costs, property write-downs and provisions against stock and fixed assets.

Excluding the exceptionals, operating profits were £1.8m, which the group described as "disappointing". The restructuring has seen the sale of its non-core jewellery and music distribution businesses. It plans to change its name to Arabis and concentrate primarily on precision engineering.

Turnover was virtually flat at £63.5m (£64.1m), of which £45.3m came from continuing operations. The precision engineering business generated sales of £33.2m (£27.2m) and profits before exceptionals of £1.52m (£1.07m).

However, the positive showing was offset by a further decline at consumer products, where sales fell to £12.1m (£16.2m) and losses before exceptionals were £665,000 (profits of £395,000). The declines were blamed on falling sales to the high street retail sector and lower exports.

Losses per share were 7.8p (earnings of 2.3p), but a final dividend of 0.45p maintains the total at 0.75p. The shares fell 1p to 18p.

Thorn to detail demerger on Monday

By Alice Rawsthorn

Thorn EMI will on Monday announce formal proposals for the demerger of its interests into the EMI music group and the Thorn household rental and retail chains.

The demerger proposals will involve spinning off Thorn, including Radio Rentals in the UK and Rent-A-Center in the US, from Thorn EMI which will be renamed the EMI Group and will embrace the EMI and Virgin record labels as well as the HMV chain of music shops.

Shareholders will vote on the proposals, which will include details of the allocation of debt and pension funds between the two companies, at an extraordinary meeting on August 16.

If they approve, shareholders will receive one Thorn share for each Thorn EMI share and the shares of the two companies will be quoted independently from August 19.

Thorn's shares will trade on the Stock Exchange and its American Depositary Shares on Nasdaq.

Thorn EMI's shares gained 12p to £17.35 yesterday, having risen by almost 70 per cent during the past 18 months in anticipation of a bid for EMI after the demerger.

SBC Warburg, Thorn EMI's adviser, estimates that the demerged Thorn's shares will be worth 441p, valuing the company at £1.9bn.

Analysts expect EMI to have a share price of at least £13.50 and a market value of £5.8bn.

Sir Colin Southgate, chairman of Thorn EMI who will continue to chair EMI and, for a short time, Thorn after demerger, will also unveil Thorn EMI's first quarter figures on Monday.

Analysts anticipate an increase on the £60.1m pre-tax profits reported for the same period of 1995.

NEWS DIGEST

Early resumption for Costain trades

The Stock Exchange has agreed to an early resumption of trading in Costain shares following pressure from shareholders.

The construction company announced yesterday that the suspension could be lifted if a £73.6m rescue share issue is approved at an extraordinary meeting on Monday.

Under normal arrangements the suspension would have remained in place until the issue had been completed. Shareholders pressed the exchange to allow an early relisting so that market reaction could be tested before they decide whether to take up their rights.

Shareholders are being offered three new shares at 50p for every one owned.

Intria, a Malaysian construction company which is underwriting a large part of the issue, is expected to be be left with 40 per cent of the enlarged capital.

Kharafi, a Kuwait industrial conglomerate, and Raymond International, a Saudi Arabia-based construction group, between them control more than 38 per cent of Costain and have indicated they will vote against the refinancing.

Costain has said it will be forced into receivership if its proposals are rejected.

● Costain said yesterday that Mr Alisdair Stark, chairman of the Costain Independent Shareholders Association which has called for the resignation of Mr Alan Lovell, Costain's chief executive, was registered as owning a single share in the company.

It said Mr Stark lived in Newbury where Costain has been awarded the contract to build a controversial by-pass which has been opposed by environmentalists and local residents.
Andrew Taylor

Eurotherm in Hultman talks

Talks between directors of Eurotherm, the electronic components group, and representatives of institutions keen to secure the reinstatement of Mr Claes Hultman as chief executive will resume on Monday.

A board meeting planned for yesterday to discuss proposals to resolve the power struggle was cancelled. Difficulties are understood to centre upon the future of Mr Jack Leonard, the executive chairman.

Institutional investors, led by Prudential and Mercury Asset Management, are understood to believe a non-executive chairman should be chosen, possibly from among the company's three non-executive directors, to restore boardroom harmony.

Discussions brokered by Barings, the company's banking advisers, have been taking place all week. Last night, neither the company, nor Mr Hultman, would discuss the sticking points. *Ross Tieman*

Approval set for Tomkins pay

Directors of Tomkins, the industrial conglomerate, appear confident that shareholders will approve a new long-term incentive plan for 50 senior executives despite concern among some institutions that the scheme is not performance related.

Three institutions are understood to have told the company they will oppose the plan at next Wednesday's shareholder meeting. However, the National Association of Pension Funds is understood to have told members the plan is not contentious.

Under the proposals, executives who buy up to 100,000 shares will receive a matching number free if they stay with the company for seven years.

Tomkins said the scheme was one of the most effective ways of incentivising its management team over a seven-year period. *Ross Tieman*

FW Thorpe warns

FW Thorpe, the industrial and commercial lighting equipment group that trades principally as Thorlux, warned yesterday that tough trading would lead to annual pre-tax profits lower than last year's £3.14m.

The shares fell 38p to 178p.

Directors said profits would be reduced because turnover had been affected by lower sales volumes and price competition, while the company had also invested in the relocation of Compact Lighting. Results for the year to June are due on September 25.

Chesterton in consultancy deal

Chesterton International, the property services consultancy, has agreed to pay about £5.2m for Workplace Management, a facilities manager of which the main business is a contract to supply management services to ICL until at least September 2001.

The consideration will be met through the issue to the vendors of 4.89m shares at 107p. The deal is expected to be earnings enhancing in the year to June 1997.

Dana buys Evikhon stake

Dana Petroleum has bought a 5 per cent stake in Evikhon, a Russian company with interests in a number of west Siberian oil fields, for £1.7m in cash and 13.5m new shares.

Dana may eventually expand its stake in Evikhon, whose key shareholders include Yukos and Tyumen Oil, two of Russia's largest oil companies. *Robert Corzine*

In Brief

■ CARR'S MILLING Industries, the agricultural, food and engineering group, has acquired James A Bendall (Property) for £3.5m in cash and shares. In the year to December 31, Bendalls made pre-tax profits of £401,000 on turnover of £5.5m.

■ EUROPEAN TELECOM, distributor of cellular telephones and accessories, appointed exclusive distributor of Skynet 2000, an advanced vehicle security and communications system. The agreement, for an initial period of three years, is conditional on a successful product launch as well as SkyNet Corporation raising £1.5m by August 31 in an Aim placing.

■ HOWDEN GROUP, through its South African subsidiary, Howden Africa Holdings, is acquiring the assets and business of the pump division of Abertech Industries, a subsidiary of Murray & Roberts Engineering Holdings, for R51.6m (£7.6m). Murray Roberts is offering these shares to existing HA shareholders on a 24-for-100 basis at R4.30 a share.

■ JONES STROUD pre-tax profits dipped to £6.59m for the year to March 31, against £6.82m. The maker of materials and accessories for the textile and electrical industries raised sales from continuing operations from £72.9m to £81.2m.

■ KENMARE RESOURCES has raised I£2.74m (£2.82m) via a placing of 8.99m shares at 30½p. Proceeds will mainly be used for drilling and assessment of its Niassa gold project in northern Mozambique.

■ STERLING PUBLISHING, the USM-quoted publisher, reduced its pre-tax loss from £9.55m to £3.48m in the year to March 31, after disposing of lossmaking businesses at a net cost of £700,000.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ball (AH)	Yr to Mar 31	8.11	(9.8)	0.166	(3.921♠)	1.83	(43.44L)	nil	-	nil	nil	nil
Crest Packaging	Yr to Apr 30	48	(43.7)	3.17	(2.8♥)	6.2	(5.3)	2.75	Oct 2	2.75	4.125	4.125
Excalibur	Yr to Apr 30	63.5	(64.1)	5.69L♠	(2.05)	7.8L†	(2.3)	0.45	Nov 4	0.45	0.75	0.75
Nightfreight	6 mths to May 31	38.3	(25.4)	1.81	(1.37)	2.61	(2†)	1.3	Oct 9	1.13	-	3.38
Rainford	Yr to Mar 31	79	(63.4)	8.15	(5.35)	17.3	(17.3)	5	Aug 9	-	7	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust Preferred	Yr to May 31	81.29	(90.15)	3	(3.18)	15.79	(16.73)	4.25	Aug 23	4	14	13
Baronsmead	6 mths to June 30	133.5	(128.5)	0.242	(0.263)	1.9	(2.06)	-	-	-	-	3.3
Brunner	6 mths to May 31	323	(265.8)	2.24	(1.74)	3.5	(2.72)	2.9	Sept 12	2.7	-	5.9
City of Oxford		-	(-)	-	(-)	-	(-)	1.3✠	Aug 30	1.3	-	5.6
Gartmore Emerging	6 mths to June 30	141.8	(136.1#)	0.0811L	(0.224)	0.12L	(0.35)	-	-	-	-	0.19
Lazard Smaller	6 mths to June 30	180.53	(148.76)	0.079	(0.084)	0.68	(0.73)	-	-	-	-	0.25
M&G Dual	6 mths to June 30	£32.23	(£30.56)	1.98	(1.93)	34.4	(33.52)	34.4	Sept 4	33.5	-	80.3

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✠First interim. #At December 31.

Strong krona blamed for decline at SKF

By Greg McIvor in Stockholm

Slack demand in Europe and stiffer competition triggered a 21 per cent slump in first-half profits at SKF of Sweden, the world's largest manufacturer of roller bearings.

Pre-tax profits slid from SKr1.67bn to SKr1.48bn ($223m), some SKr100m below market expectations, and the group's B shares fell SKr3 to SKr145.

The company, seen as a barometer of the world economy because of its global presence and exposure to many sectors, said the European market – which accounts for almost 60 per cent of its sales – would remain weak and difficult to forecast. However, growth was expected to continue in the US and developing markets.

Mr Peter Augustsson, SKF chief executive, attributed the decline primarily to the stronger krona, which caused sales to contract by 9 per cent. Volumes decreased by 3 per cent, but the effect was counterbalanced by a modest improvement in prices.

The group said sales levels had displayed no significant changes from the first three months of 1996 and had been flat for a year. Turnover fell from SKr19.5bn to SKr17.5bn.

SKF said demand for roller bearings fell in all European markets except France. Operating profits in the roller bearings division dropped from SKr1.56bn to SKr1.3bn.

Deliveries to the European automotive industry, in particular the trucks sector, remained weak as destocking continued among producers. But SKF stressed car production was rising as inventories declined, and deliveries had improved overall in the second quarter against the first.

Deliveries to the machinery industry in Europe were slack and some producers had introduced shorter working days to accord with lower volumes. Textile machinery demand showed no sign of recovery, but the improvement in demand for aircraft engine bearings continued.

SKF said sales in North America and Asia had outpaced last year's levels. A decision to build a new plant in the US to manufacture vehicle hub units had resulted in increased orders from the automotive industry. Sales in the machinery segment also advanced.

In Asia, growth was concentrated on the after-market (replacement sales) and reflected rising deliveries for motorcycles and scooters. Sales to eastern Europe showed robust growth.

Operating profits at the Ovako special steels unit slid from SKr191m to SKr55m. Profits in the seals division eased from SKr112m to SKr96m.

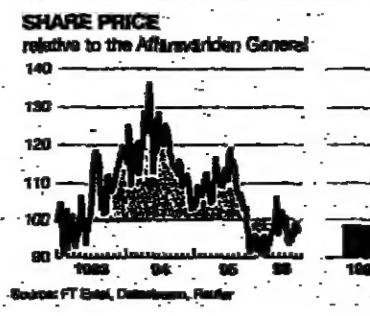
PROFILE:
SKF

Market value: $2.5bn Main listing: Stockholm

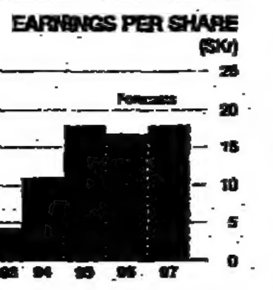
Historic P/E	11.3
Gross yield	3.59%
Earnings per share	SKr 17.85
Current share price	SKr 145.0

Chief executive
Peter Augustsson

SHARE PRICE
relative to the Affärsvärlden General



EARNINGS PER SHARE
(SKr)



All figures refer to B shares

Toyota and Nissan hit by weaker demand

By William Dawkins in Tokyo

Toyota and Nissan, Japan's first and second-largest car producers, yesterday reported declines in production in the first half of this year as a result of weak domestic demand and falling exports to North America.

Both companies also lost domestic market share to US and European cars, which have benefited from the after-effects of last year's strong yen and formerly conservative Japanese consumers' willingness to try foreign models.

Toyota's share of the Japanese market for cars, trucks and buses fell to 38.8 per cent in the six months to June, from 40 per cent in the first half of last year. Nissan's market share fell only marginally, by 0.1 of a percentage point to 29.1 per cent over the same period.

During the same half year, the Japanese car market overall expanded by 0.7 per cent to 2.66m units.

Toyota's world production declined fractionally in the first six months, within which domestic output was down 0.5 per cent and overseas output – 29 per cent of the total – was ahead 7.7 per cent, thanks to expansions at its US and UK plants. Increased local production partly replaced exports, which fell by 2.5 per cent.

Nissan's world-wide output fell by 3.5 per cent over the same period, within which there was a 7.7 per cent decline in domestic production and a 9.6 per cent decrease in overseas output, due to cuts in the US and UK, where the Primera saloon is coming to the end of its run.

Nissan produces nearly 40 per cent of its cars abroad, the highest proportion of any Japanese automotive group.

The company's exports also fell, by 8.3 per cent, as post-launch US demand for the new Maxima began to wear off.

On the domestic market, Nissan said there was a shift in demand away from conventional passenger cars, where sales decreased by 2.3 per cent, in favour of recreational vehicles, where sales rose by 8 per cent.

However, demand for RVs was not strong enough to compensate for the fall in sales of other passenger cars.

Delta posts sharp rise in earnings for year

By Tony Jackson in New York

Delta Air Lines, the US carrier, reported its best ever quarterly and full-year earnings, with net income before restructuring charges up 31 per cent in the final quarter to $328m.

However, Mr Robert Allen, Delta chairman, said that in the current year the airline would concentrate less exclusively on cost-cutting, broadening its objectives to focus on such concerns as safety.

This was an apparent reference to public concern in the US following this week's TWA crash and a ValuJet crash in May. Referring to an explosion on a Delta flight earlier this month in which two people died, Mr Allen said "we are determined to learn from this tragedy . . . safety is always our first priority".

For the full year, Delta's earnings were ahead 125 per cent at $662m before restructuring charges, on revenues up 2 per cent at $12.5bn. Profit-sharing payments to staff totalled $144m. There was a $273m pre-tax charge in the final quarter for early retirement by 500 pilots, bringing the full-year charge to $829m.

In the final quarter, passenger miles were up 11 per cent on the year before. However, price-cutting on holiday flights reduced the growth in revenues to 5 per cent. Capacity in the period was 1.6 per cent higher.

Mr Allen said targets set for costs per seat mile would be relaxed, while targets for operating margins would be raised. A three-year target of 10 per cent operating margins set in 1994 had already been achieved, and the figure would now be raised to 12 per cent.

At the same time, the three-year target cost of $0.075 per available seat mile would not now be met. This was because the industry environment was stronger than expected in 1994, Mr Allen said, with the result that costs could now be reduced more systematically.

Delta said its transatlantic operations had been profitable for the fifth quarter running.

Delta's shares fell $2⅞ to $72⅞ in early trading.

Investigation at Wickes nears completion

By Andrew Taylor and Jim Kelly

Price Waterhouse, the accountants, are understood to be close to completing investigations to uncover the extent to which Wickes, the DIY retailer, overstated profits because of false accounting.

The findings, however, are unlikely to be published until the accountants can provide a clearer guide as to how existing supplier agreements will affect the group's future profitability.

This could take several weeks, during which Wickes' shares are likely to remain suspended.

Latest estimates suggest that last year's operating profits of £36.7m may have been overstated by almost £25m. The total amount that profits have been overstated since 1990 is thought be more than £30m.

Price Waterhouse, supported by solicitors Linklaters & Paines, has concentrated on the accounting treatment of rebates paid to Wickes by its suppliers.

In some instances, the benefit of rebates designed to cover several years of trading were brought forward and included in a single year's profits. Suppliers are alleged to have offered to provide false information to delude auditors that correct accounting procedures were being followed.

Price Waterhouse is understood to be satisfied that it has discovered the extent to which past profits have been inflated but needs to be assured of the impact of supplier arrangements on future profits.

Wickes, meanwhile, has moved to reassure suppliers that its finances have been strengthened following the renegotiation of loan agreements with its bankers.

In a letter to suppliers, Wickes said its sales were currently running about 35 per cent above the corresponding level last year. After allowing for an increase in retail outlets, this would equate to a rise in volume sales of about 10 per cent.

The company is changing the timing of payments to suppliers which were previously bunched at the beginning of each month and caused uneven cash flow. Payments will continue to be made monthly but spread over the period.

Liberty completes the changing of the guard

By Christopher Brown-Humes

Liberty, the retail and textiles group, yesterday announced it was parting company with three senior executives, completing the changing of the guard begun in April when Mr Ian Thomson became chief executive.

Mr Tony Salem, retail director, Mr Tom Logan, merchandise director, and Mr John Pugh, company secretary, will leave on July 31 after a combined 26 years with the company. Compensation arrangements are still being negotiated.

Mr Anthony Hancock will take over as retail director, after four years in a similar post at House of Fraser. Ms Claire Garabedian becomes merchandise director, responsible for retail and international ranges. She has been with Liberty for 15 months.

Mr Thomson replaced Mr Patrick Austen as chief executive in April when three other directors – including Mr Pugh and Mr Salem – left the board.

The shake-out followed a drop in profits and underperformance of the company's share price over the last three years.

Securum in move to sell stake in Castellum

By Greg McIvor

Securum, the "bad bank" set up by the Swedish government to handle sour credits at Nordbanken, is in talks with Morgan Stanley, the US merchant bank, over the sale of a majority stake in Castellum, its main commercial property arm.

The move is the first sign of returning foreign interest in Sweden's real estate market following its collapse in the early 1990s in the throes of a loan-loss crisis which forced the closure of one high street bank and landed others with heavy losses.

Securum said it was in discussions to sell a tranche of Castellum – one of Sweden's largest real estate companies – to Morgan Stanley's real estate arm. Financial details were not disclosed but it is understood a share of about 60 per cent is to be sold for close to SKr2bn ($301m).

Mr Jan Engström, Securum spokesman, said the transaction could lead "sooner or later" to a stock exchange listing of Castellum. He stressed there were no firm plans for a listing but confirmed Securum's long-term intention was to relinquish its entire holding in the company.

"By selling a majority share of Castellum to an international investor we are taking away the issue of Castellum being a Securum company," he said. Securum said it hoped the transaction would be completed during the last quarter of the year.

The link up with Morgan Stanley would result in a joint venture which would allow both parties to "participate in the ongoing restructuring of the Swedish property market", Securum said.

Castellum, formed in 1994 through the merger of three of Securum's original real estate groups, has property assets of some SKr8bn. Its portfolio of some 900 properties includes office buildings, industrial premises and residential properties concentrated in Stockholm and southern Sweden.

Securum expects to recoup about SKr11bn of the SKr24bn equity it received from the Swedish government on its formation in 1993. It has said it hopes to wind down its operations early next year.

Rainford agrees £80m bid from US

By Geoff Dyer

Rainford Group's brief history as a public company looks set to end after the telecommunications components maker yesterday accepted a £79.9m bid from Reltec, a private US company, just over a year after it was floated.

The cash and paper offer represents the second European acquisition this year by Kohlberg Kravis Roberts, the aggressive Wall Street investment firm which owns 96 per cent of Reltec.

In November KKR paid £205m for Reed Regional Newspapers, a UK subsidiary of Reed Elsevier.

Mr Barry Houghton, Rainford's chairman, who controls 47 per cent of the equity, has agreed to accept the share alternative and will be taking a 30 per cent stake in Reltec and join its board.

Rainford was founded by Mr Houghton in 1971 with a £1,500 investment. Having sold shares worth £7.5m at flotation, the offer values his stake at £37.6m.

Reltec is offering 335p a share, a 47 per cent premium to the 228p closing price on July 16 when Rainford announced it had received an approach. The shares, priced at 270p on flotation in April 1995, closed up 20p at 335p.

Rainford specialises in making parts for mobile telephone base stations. Its shares had fallen sharply in March following a profits warning.

Mr Houghton said Rainford had recommended the offer to gain a more international presence.

"Our customers are international groups and they increasingly want us to supply then on an international basis."

Reltec was part of Reliance Corporation, which was purchased by Rockwell International in January 1995. KKR bought Reliance's telecommunications subsidiary last August. The company, which makes electronic and electrical power equipment, incurred pre-tax losses of $10.4m (£6.6m) in 1995 on sales of $514m.

In the year to March 31 Rainford increased pre-tax profits by 15 per cent to £6.15m on sales of £79m, up 25 per cent. A 7p total dividend is payable from earnings of 17.3p.

Scottish TV bid for Caledonian hangs in balance

By Raymond Snoddy

Scottish Television's £120m bid for Caledonian Publishing, publishers of the The Herald and Evening Times in Glasgow, hung in the balance last night.

On Thursday, the board of Scottish, the ITV company for central Scotland, ratified and delivered the £120m bid to Caledonian, which has now angered Scottish by appearing to reopen negotiations and bring up new issues.

Scottish, whose investors include the Mirror Group and Flextech, the satellite and cable programme company, will now set a deadline of midnight on Monday for irrevocable acceptance.

It believes £120m is a generous price and views it as final.

Caledonian had been planning to float this month but deferred its plans until the approach from Scottish and at least one other newspaper group had been considered.

Since the approach was announced, however, share prices generally have been falling and plans for a flotation which would value the company at about £100m now look more problematical.

Trinity International, the Chester-based regional newspaper group, had made its interest clear – but only if the deal with Scottish collapses.

Trinity would be unlikely to offer much more than £110m.

There was speculation last night that the Caledonian board was split on the issue. Real control rests with Robert Fleming, the merchant bank which holds about 57 per cent of the shares left over from its support of the management buy-out in 1992.

The proposed Scottish – Caledonian deal has received the support of all the main political parties in Scotland and the Scottish TUC on the grounds that it would create a strong Scottish-owned media group, but any deal would need the clearance of the Office of Fair Trading.

Westcountry mulls autumn flotation

By Raymond Snoddy

Westcountry, one of the last privately-owned ITV companies, is expected to float on the Stock Exchange in the autumn.

The final decision will be taken in the light of market circumstances but on Monday Sir John Banham, chairman, told shareholders at the annual meeting his personal preference was for a flotation. The other obvious option is a sale to the large ITV companies with interests in the south of England, such as Carlton Communications or United News & Media.

The issue of the future of Plymouth-based Westcountry has come to a head because most of its main shareholders appear to want to cash in their stakes.

There has, however, been tension on the board. Shareholders including Daily Mail & General Trust, Brittany Ferries and South West Water might sell if the price is right.

Lang clears Scottish bid for Southern

By Simon Holberton

Scottish Power yesterday tightened its grip over Southern Water after the government waved through its acquisition of the water utility.

Mr Ian Lang, trade and industry secretary, gave his approval on advice from Offer, the electricity industry regulator, Ofwat, its water industry equivalent, and the Office of Fair Trading.

Scottish said it had received acceptances for 70 per cent of Southern Water's shares. It has agreed to keep its regulated electricity business separate from other activities and assured Ofwat Southern Water will be managed in a way that permits comparison with other water companies.

The approval throws the spotlight back on the utilities sector where bid activity has subsided. Wessex Water has emerged as the top target with Southern Electric, which failed in its attempt to acquire Southern Water, mooted as bidder.

Crest Packaging rises 13%

Crest Packaging, the flexible packaging and folding carton maker, maintained operating profit despite a squeeze on margins in the year to April 30.

Sales rose 10 per cent to £48m and operating profit was up 18 per cent to £3.3m while pre-tax profits improved 13 per cent to £3.17m.

Mr Ian Tegner, chairman, said the company should benefit from a recent stabilisation of raw materials costs, which had eroded gross margins, although "conditions remain highly competitive".

Its cartons side suffered a fall in margins from 6.8 per cent to 3.7 per cent, compounded by the BSE scare, which had resulted in a customer going into liquidation. Flexible packaging, however, increased margins from 9.9 per cent to 10.4 per cent.

The final dividend is maintained at 2.75p for a same-again total of 4.125p, payable from earnings up from 5.3p to 6.2p.

Out of the rough and on to the fairway

Patrick Harverson finds the City teed-up to invest in golf after its recent tribulations

A few years ago "golf was a four-letter word in the City", says Mr David Carter, chief executive of ClubPartners International, the golf course owner.

At the time, institutional investors refused to have anything to do with the sport after over-expansion, poor management and economic recession in the early 1990s had left hundreds of golf course owners bankrupt and scores of investors nursing losses.

"Just over £2bn has been spent building golf courses in the past six years," says Mr Colin Hegerty of industry analysts The Golf Research Group, "and of that money invested, probably about £1.3bn will be lost by the time the dust settles". However, there are signs that the City is revising its attitude to golf. Investor sentiment has been sufficiently favourable to allow three companies that own and operate courses to float on the stock market in the past year.

Join the club: Nick Faldo chips out of a bunker in the first round of the Open this week Reuters

ClubPartners owns two UK courses and is close to acquiring three more, Clubhaus has 11 courses in operation or under construction, including several on the Continent, and PGA European Tour Courses has five courses in the UK and continental Europe.

Analysts say the emergence of the three suggests the industry may be entering a period of consolidation after its long slump, with multi-course operators taking over from many of the straitened developer-owners. The industry's problems have allowed the newcomers to acquire courses at knockdown prices.

Clubhaus bought its Duke's Dene course in Surrey for £2.5m from the receiver last year, even though its previous Japanese owner had paid £3.8m for the land and invested a further £15m in building the course. PGA ETC acquired Collingtree Park golf course near Northampton for £2.25m in 1993, while it cost its previous owner, a Swedish finance company, between £5m-£7m to build.

However, buying courses on the cheap does not guarantee financial success, warns Mr Hegerty. "The bad courses are going cheaply, but a cheap bad golf course is still a bad golf course." He says courses have to be of good quality and well located. Many of the failures of recent years have been poorly constructed and too far from the middle- and upper-income communities where the bulk of golfers live.

Clubhaus claims to focus on courses that are more accessible – both financially and geographically – to the average player through affordable membership and green fees, at courses near large conurbations.

To broaden the appeal of its courses, Clubhaus is adding other leisure facilities, such as health and fitness clubs.

ClubPartners takes this idea several steps further by turning golf courses into country clubs, where members and non-members can use facilities such as gyms, tennis and squash courts, and restaurants. The idea is to maximise the returns from the sites. "This biggest percentage of our turnover is food and beverage, not golf, and second biggest is leisure," says Mr Carter.

The same strategy is pursued by the companies' main corporate rivals – Whitbread and Greenalls, whose hotel divisions have recently been expanding their golf-related interests. Mr Richard McKevitt, golf operations director for Whitbread Hotels, which has 14 courses, says: "It's a total leisure offering that people are looking for."

Mr Peter Greenall, the pub group's managing director, says the company's hotel-golf course complexes aim to attract corporate customers on conferences and individuals on leisure breaks. They eschew the traditional golf club membership for a more flexible, affordable voucher system for regular players.

The one company with a different profile is PGA ETC. Formed in 1993 as a joint venture with IMG, the sports management group which plays a key role in running the European PGA tour, it concentrates on running tournament-standard courses that can host top-flight televised events on the professional circuit. It has also acquired courses in Portugal as golfing holiday destinations.

Mr Sean Kelly, managing director of PGA ETC, says: "There is consolidation going on in the industry and an opportunity for people who own and operate courses to apply management techniques and get the benefits of multi-site ownership."

If there is a common theme among the operators it is that they are moving away from exclusive, costly membership structures to a more flexible policy of "pay-to-play". By allowing anyone to turn up and play for a relatively modest green fee, they hope to overcome golf's image as an expensive, elitist sport.

The change is long overdue, says Mr Hegerty of Golf Research. While the number of golf courses in the UK (excluding Northern Ireland) has risen to 2,450 in the past six years, the number of active golfers has remained static at about 3m. He blames the lack of growth in demand on the failure of owners to match the courses to the customers, particularly less wealthy and women golfers.

"The golf industry has not woken up to how to market itself to its customer base," says Mr Hegerty. He cites recent statistics showing that while 45 per cent of British adults have an interest in golf, only 5 per cent regularly play.

If companies like Clubhaus, ClubPartners and PGA ETC can activate some of that latent demand, then the game's image in the City could improve still further.

Heywood £34.5m Danish buy

By Andrew Taylor, Construction Correspondent

Heywood Williams Group, the manufacturer of aluminium, glass and plastic products for the construction and automotive industries, has increased its share of the UK windows market with a £34.5m acquisition.

It is buying Mila Beslag of Denmark, a distributor of hinges, locks and other components to window and door manufacturers. Mila makes more than 70 per cent of its sales in the UK.

Heywood is paying £30m cash and 2m ordinary shares for Mila, which also sells to the Irish Republic, the Benelux countries and Scandinavia. It generated operating profits of £5m on sales of £41m in 1995. Net assets at the end of December were £13m.

Heywood's share of the "hardware" end of the UK window components market will increase from 5-7 per cent to more than 20 per cent as a result of the purchase.

The UK group's shares firmed 3p to 227p yesterday after it announced that trading in the first six months of this year was ahead of the corresponding period last time.

Mr Michael Broadhead, managing director, said yesterday there had been an improvement in UK and US markets but trading was still lagging in continental Europe.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Stocks fall supports copper

The copper market was described as "drowsy" yesterday, following its recent exertions, but some operators were thought to be girding their loins for another upwards push.

The three months delivery price on the London Metal Exchange closed at $1,892 a tonne, up $19 on the day and $40.50 on the week. Traders said yesterday's rise was underpinned by news of another reduction in LME warehouse stocks, though the drawdown was relatively minor, at 2,250 tonnes, and somewhat less than some had forecast.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+2,260	to 902400
Aluminium alloy	+220	to 85,700
Copper	–2,250	to 228,725
Lead	+2,075	to 98,700
Nickel	–192	to 31,988
Zinc	+2,525	to 578,825
Tin	+60	to 10,785

In the short term, dealers told the Reuters news agency, prices were expected to mount another assault on the $1,900-a-tonne mark in the hope of triggering the stop-loss buying orders earlier short sellers were believed to have placed just above that level.

Much of the physical supply that was available was of low quality or not in the right locations, a senior trader said. "It's hard to find." Another told Reuters that scrap availability was also tight, forcing some consumers to switch to Grade A LME cathode. Others suggested, however, that the seasonal decline in industrial activity during the summer period should allow supplies to be replenished.

Also firm was the aluminium market, influenced by concern about a possible strike at the Canada's 272,000-tonnes-a-year Kitimat smelter after the current labour contract expires at midnight on Tuesday.

Management at the Alcan Aluminium unit is reported to be calling in a mediator to resolve the deadlocked dispute over pay and conditions. Though the union has a mandate to call a strike from Wednesday it would not be free to do so during mediation.

At the London Bullion Market quieter conditions prevailed yesterday following the very busy period caused by see-sawing stock market values. Gold closed at $384.35 a troy ounce, down 10 cents on the week. Dealers told Reuters that the physical gold market was coming under some pressure from a stream of gold out of South Korea ahead of a government crackdown on speculative trading.

Renewed concern about the possibility frost hitting Brazilian growing areas sparked a coffee price rally yesterday. The September delivery position closed at $1,600 a tonne, up $24 on the day and $100 above the six-month low reached on Wednesday but still $22 down on the week.

Brazil's local weather services were yesterday still forecasting the possibility of frosts in some coffee regions early on Monday because of an approaching polar air mass, forecasters told Reuters.

"Temperatures are expected to fall in north Parana and south-west Sao Paulo state to between zero and four degrees Celsius, with the chance of frosts mainly in low-lying areas," said Mr Marcos Massari of private service Somar Meteorologia. The frost risk in those regions was rated by Somar at 60 to 80 per cent, with a 40 to 60 per cent chance in northern Sao Paulo and the Cerrado region in Minas Gerais.

In Lexington, Massachusetts, however, private forecaster Weather Services Corp while agreeing that frosts were possible said no significant crop damage was likely.

"The track [of the cold front] is a little too far to the south for the cold weather to have a major impact on the coffee regions," WSC said. "If it were to come further to the north it would have more impact."

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1996 High	1996 Low
Gold per troy oz.	$384.35	-0.20	$385.90	$415.40	$373.00
Silver per troy oz	324.3p	-6.2	323.50p	353.90p	267.90p
Aluminium 99.7% (cash)	$1450.0	+12	$1899.5	$1676.0	$1433.0
Copper Grade A (cash)	$1979.5	+69	$3295.5	$2810.0	$1909.5
Lead (cash)	$785.5	+7.0	$614.0	$927.5	$680.5
Nickel (cash)	$7075.0	-150.5	$8450	$8825.0	$6185.0
Zinc SHG (cash)	$990.5	-4.0	1010.5	$1082.0	$990.5
Tin (cash)	$6220	-50.0	$6320.0	$6590.0	$5960.0
Cocoa Futures Jul	£998	+3	£948	£1179	£983
Coffee Futures Jul	£1585	+45	£2798	£2605	£1520
Sugar (LDP Raw)	$315.50	-2.7	$340.9	$330.7	$282.9
Barley Futures Sep	£102.60	-2.40	£107.75	£127.50	£102.60
Wheat Futures Sep	£110.15	-1.45	£112.80	£134.10	£109.70
Cotton Outlook A Index	79.95c	+0.50	na	87.65	79.45
Wool (64s Super)	430p		na	452p	428p
Oil (Brent Blend)	$19.23x	-0.155	na	$23.13	$16.60

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Sep

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1449.5-50.5	1485-86
Previous	1440-1	1476-7
High/low	1451	1490/1489
AM Official	1451-2	1487.5-8.0
Kerb close		1483-4
Open int.	238,185	
Total daily turnover	29,466	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1245-55	1275-85
Previous	1232-7	1268-70
High/low		1275/1265
AM Official	1240-45	1274-5
Kerb close		1265-70
Open int.	4,888	
Total daily turnover	518	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	785-6	795-6
Previous	780-1	792-2.5
High/low	788	797/790
AM Official	782-3	792.5-3.0
Kerb close		790-80
Open int.	30,591	
Total daily turnover	6,025	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7070-80	7180-85
Previous	7075-85	7190-95
High/low	7050/7045	7240/7180
AM Official	7041-50	7180-85
Kerb close		
Open int.	42,861	
Total daily turnover	10,871	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6215-25	6265-70
Previous	6200-10	6250-55
High/low		6280/6250
AM Official	6215-20	6260-65
Kerb close		6250-55
Open int.	16,230	
Total daily turnover	3,420	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	990-1	1017-8
Previous	989.5-90.5	1017-8
High/low	991	1022/1015.5
AM Official	990-1	1018-9
Kerb close		1015-5.5
Open int.	87,318	
Total daily turnover	9,109	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1977-82	1891-93
Previous	1952-7	1872-4
High/low	1995/1975	1900/1880
AM Official	1995-2000	1892-3
Kerb close		1890-91
Open int.	196,103	
Total daily turnover	59,865	

■ LME AM Official £/$ rate: 1.5485
LME Closing £/$ rate: 1.5484

Spot: 1.5468 3 mths: 1.5484 6 mths: 1.5472 9 mths: 1.5481

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	89.05	–	89.70	89.00	472	2,276
Aug	88.30	+0.05	88.80	88.50	76	2,291
Sep	88.20	+0.15	88.80	87.60	3,024	19,833
Oct	87.95	+0.20	88.10	88.00	30	1,238
Nov	87.70	–0.05	87.90	87.00	53	1,125
Dec	87.40	+0.05	88.70	87.20	252	12,353
Total					4,914	68,980

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.20-384.50		
Opening	385.00-385.30		
Morning fix	384.35	248.915	468.907
Afternoon fix	384.50	248.890	469.975
Day's High	385.00-385.30		
Day's Low	384.10-384.40		
Previous close	383.50-383.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ......4.41 6 months 4.11
2 months ......4.37 12 months 4.02
3 months 4.35

Silver Fix	p/troy oz.	US cts equiv.
Spot	324.30	501.50
3 months	328.40	507.70
6 months	332.35	514.20
1 year	341.15	528.20

Gold Coins	$ price	£ equiv.
Krugerrand	382.50-385.50	247-249
Maple Leaf	394.10-396.60	
New Sovereign	87-89	56-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jul	1127	+12	1127	1115	84	1,269
Aug	1140	+25	1144	1119	107	1,013
Sep	1162	+12	1175	1160	10	365
Oct	1260	+15	1265	1250	111	1,426
Jan	1265	+15	1275	1270	52	282
Apr	1243	–12	1260	1265	10	147
Total					374	4,533

	Close	Prev
BFI	1169	1166

FUTURES DATA
All futures data supplied by CMS.

Spices
Because of a somewhat delayed pepper crop on the Indonesian island of Bangka the stock position there is becoming very tight, reports Man Producten. Exporters who sold for July shipment some weeks ago are now confronted with an almost empty market and must pay prices equivalent to US$2,800 a tonne, CIF, compared with $2,750 earlier in the month. Supplies from Indonesia and China are expected to increase in the near future, which will most likely cause a downward price trend. Black pepper prices were slightly firmer in India but declined somewhat in Indonesia. Demand continued to be weak. Black pepper FAQ was offered at $2,100 a tonne, CIF. Crops in Indonesia and Brazil are expected from August onwards. In both countries production will be much lower.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]						
Jul	76.75	+0.75	76.75	76.60	116	4,112
Oct	78.85	+0.70	78.95	78.85	58	853
Total					8,480	69,392

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	114.00	+0.10	114.50	113.70	810	12,018
Nov	111.35	–0.20	112.00	111.30	70	3,371
Jan	111.25	–0.25	111.25	111.00	21	4,081
Mar	112.75	+0.10	112.75	112.75	21	5,586
May	114.50	+0.15	114.45	114.25	15	216
Jul	118.00	+0.30	114.75	114.75	1	164
Total					8,362	26,769

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 19	Jul 18	month ago	year ago
1960.2	1954.0	2019.8	2222.4

■ CRB Futures (Base: 1967=100)

Jul 18	Jul 17	month ago	year ago
244.83	246.80	na	na

■ GSCI Spot (Base: 1970=100)

Jul 18	Jul 17	month ago	year ago
201.60	203.16	na	na

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

[illegible]

WORLD BOND PRICES

MARKET REPORT

By Lisa Bransten in New York and Conner Middelmann in London

US Treasury prices gave back some of Thursday's sharp gains in quiet trading early yesterday.

Near midday, the long bond was off ¼ at 88⅝ to yield 6.940 per cent. At the short end of the maturity spectrum, the two-year note fell ⅛ at 100⅛, yielding 6.144 per cent.

The September 30-year bond future slipped ⅜ at 108⅝.

The yield curve that maps the spread between the yield on two-year notes and the long bond steepened by one basis point to 80 points as the short end of the market held up better than longer term issues.

There was little in the way of economic news released yesterday, so attention was focused on the new supply set to come to market next week in auctions Tuesday and Wednesday of $31.25bn of two-year and five-year notes.

European government bonds closed little changed yesterday, taking a breather at the end of a volatile week.

German bonds ended slightly lower as dealers reduced their long positions ahead of the weekend.

Yesterday's release of M3 money-supply growth data, which showed headline M3 growth falling to 9.6 per cent in June from 10.5 per cent in May, prompted profit-taking.

But dealers said bunds could strengthen again next week on hopes that the Bundesbank may cut its 3.3 per cent repo rate.

The September bund future on Liffe ended at 96.77, down 0.12 point.

UK gilts followed bunds lower in profit-taking, with the long gilt future on Liffe slipping by ⅜ to 106⅝.

Italian bonds were one of the day's best performers, boosted in after-hours trading by positive inflation figures for the cities of Perugia and Florence.

Throughout the day the bonds had been supported by hopes of falling inflation and gains in the lira against the D-Mark.

In late trading, the BTP future on Liffe was up 0.93 point at 117.26.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.1030	–	8.88	8.86	8.97
Austria		6.250	05/06	97.8500	+0.150	6.45	6.55	6.48
Belgium		7.000	05/06	101.7600	+0.230	6.74	6.83	6.74
Canada *		7.000	12/06	95.6100	+0.670	7.62	7.77	7.79
Denmark		8.000	03/06	104.7400	+0.420	7.29	7.38	7.49
France	BTAN	5.750	03/01	101.1600	+0.268	5.42	5.61	5.57
	OAT	7.250	04/06	106.0100	+0.210	6.40	6.53	6.52
Germany Bund		6.250	04/06	98.8700	+0.330	6.40	6.55	6.58
Ireland		8.000	08/06	102.7500	+0.310	7.59	7.81	7.81
Italy		9.500	02/06	101.6800	+0.134	9.23†	9.14	9.40
Japan	No 140	6.600	06/01	118.5230	+0.215	2.38	2.37	2.32
	No 182	3.000	09/05	97.5140	+0.172	3.38	3.31	3.25
Netherlands		6.000	01/06	97.4400	+0.240	6.36	6.48	6.42
Portugal		11.875	02/05	118.7000	+0.220	8.57	8.71	8.95
Spain		8.800	04/06	100.4700	+0.900	8.70	8.73	9.21
Sweden		6.000	02/05	86.4223	+0.439	8.27	8.30	8.44
UK Gilts		8.000	12/00	103-05	+1/32	7.14	7.09	7.31
		7.500	12/06	97-07	+8/32	7.89	7.85	8.07
		9.000	10/08	107-18	+8/32	8.01	7.97	8.21
US Treasury *		6.875	05/06	100-27	+22/32	6.75	6.94	6.96
		6.000	02/26	88-05	+28/32	6.95	7.08	7.09
ECU (French Govt)		7.500	04/05	104.2200	+0.280	6.84	6.89	6.97

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields	
Prime rate	8¼	One month	-
Broker loan rate	7	Two month	-
Fed.funds	5⅜	Three month	5.16
Fed.funds at intervention	-	Six month	5.48
		One year	5.61

[illegible]

BOND FUTURES AND OPTIONS

France
■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany
■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

Italy
■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain
■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK
■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
106	0-58	1-34	1-15	1-49	0-06	0-36	1-13	1-47
107	0-16	0-51	0-51	1-18	0-28	0-63	1-49	2-18
108	0-02	0-26	0-31	0-58	1-14	1-38	2-29	2-56

Est. vol. total, Calls 1340 Puts 740. Previous day's open int., Calls 25143 Puts 25305

Ecu
■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

US
■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	109-19	109-13	–0-10	[illegible]	[illegible]	[illegible]	[illegible]
Dec	109-02	108-29	–0-09	[illegible]	[illegible]	[illegible]	[illegible]
Mar	–	108-25	–	[illegible]	[illegible]	[illegible]	[illegible]

Japan
■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FINANCIAL TIMES

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Saturday July 20 1996

On your marks, get set, stop

World financial markets yesterday *had a lull after the storm* feel about them. Investors had a chance to step back and assess the *net impact of the market* ructions of the past week.

The lessons from the wreckage were twofold. First, and most obvious, that Wall Street is a nervous place these days, with financial and currency market sentiment unusually reliant on every scrap of news from the US economy and the Federal Reserve.

No-one is exactly clear why *Wall* Street decided to plunge now; it might as easily have happened a *month earlier, or later*. But *once* the tumble had begun, most were agreed that it would take reassuring words from the Federal Reserve chairman to calm things down. And so it proved.

Alan Greenspan said very little in his biannual Humphrey-Hawkins testimony to Congress that he had not said many times before. The general outlook for the US economy – including that for inflation – remained benign. But *he and his Fed colleagues* would not hesitate to act to forestall inflation if there was economic *evidence* that it was needed: particularly in the labour market.

Perhaps it was the way he said it, but investors were reassured. For some, it meant that short-term interest rates would not rise as soon, or by as much, as expected. Others chose merely to be reassured that Mr Greenspan had no intention of giving up the fight against inflation. Either way, after Mr Greenspan's comments the Dow Jones Industrial Average recovered some of the ground it had lost and bond yields edged below 7 per cent for the first time since the middle of May.

Bearish mood

The message of recent days for the major continental European *economies was more ominous*: that it is not merely their financial markets that will suffer if the mood turns sour *across* the Atlantic in the coming months. French and German stock markets followed Wall Street's every turn last week, each climbing 0.8 per cent in response to the Thursday recovery in the US. Yet one casualty of the recent bearish mood has yet to recover: the dollar.

The dollar ended the week 2 per cent lower against the D-Mark than a month ago. The franc has likewise strengthened significantly against the dollar. It is certainly too soon to say that the dollar rally of the past year is over. But even the suggestion that it might be casts a shadow over European governments' hopes of seeing an economic recovery without further reductions in short-term interest rates by the Bundesbank.

With domestic conditions extremely weak, German and French companies have been finding it extremely difficult to offload the large volume of inventories built up last year, let alone raise prices to boost profitability. German wholesale prices fell 0.8 per cent in the year to June.

When the D-Mark started weakening last year, it appeared to offer *the hope of kickstarting* European economies via the same route as in 1994 – through exports. But the trade impact of the currency movement has been difficult to discern from the statistics: not least because most of the trade data for this year has yet to be released. What evidence there is suggests that German companies have seen some revival in sales abroad, but hardly a miraculous one.

Vehicle output

Total German vehicle output in June was 5 per cent lower than a year ago, with a 2 per cent rise in exports only partly compensating for a 5 per cent decline in domestic sales. Meanwhile, market conditions at home seem, if anything, to be getting worse. The Ifo business climate index for west Germany for June, released this week, showed a marked decline.

How will the Bundesbank react to the new gloom? One, preferred option would be to try, like Mr Greenspan, to change market sentiment with words alone. Mr Hans Tietmeyer, Bundesbank president, gave this a whirl on Tuesday, taking the unusual step of informing the media that the bank retained a bias toward easing.

Currency markets, aware of the *fact that German money supply* growth was still well outside the Bundesbank's target of 4 per cent *to 7 per cent, were underwhelmed*. The central bank might well have to back up Mr Tietmeyer's words with *actions – perhaps after* Thursday's Council meeting – to persuade investors that the D-Mark is still a poor bet.

Yesterday's modest, if above-target, monetary growth figures for June could help tilt the board members into a modest further loosening of policy next week. A reduction in the discount rate, now 2½ per cent, is unlikely. But there is plenty of room for a repo rate reduction to jolt investors' assumptions that German interest rates can only go up. Even with such efforts, continental policy-makers know that their fortunes will be tied uncomfortably close to events in the US for some time to come.

Desperate to pull the plug

Although Bob Dole seems unable to close the gap with Bill Clinton, Republicans can see no credible alternative, says **Jurek Martin**

A well-connected Democrat, a friend of President Bill Clinton, has a private "nightmare scenario". In it, everything goes wrong for the president – Whitewater, the stock market, Bosnia for starters. Yet he is still 25 points ahead in the polls when the Republican convention begins in San Diego next month.

In a luxury yacht on the marina, men in suits confront Bob Dole. "Look it's not gonna work," they say. Or he says to them: "This is America, count me out."

The next night, on prime-time television, the lights dim, the convention curtains are drawn back and out strides the man chosen by acclamation as the presidential can*didate of the Grand Old Party. It* is . . . Colin Powell, the one man who can defeat Mr Clinton.

There are problems with this bad Democratic dream. The retired general keeps saying he will not play politics this year. There are no power-broking suits capable of engineering a coup in a party torn by ideological fissures. Mr Dole may have left the Senate but he is no "quitter" and surely not during his last shot at the White House.

But other parts of the dream now look uncannily realistic. Mr Dole is 20 points plus down – and apparently *sinking – in three national* polls. In California, won by every Republican president this century, he is down by 27.

Two surveys this week found seven out of 10 Americans, regardless of their personal preferences, believe that Mr Clinton would be re-elected in November. The same percentage said that neither the Whitewater affair nor the mysterious case of the FBI files on prominent Republicans requested by the White House mattered enough to affect their vote.

Conservative commentators, laying bare their fear that the loathed Bill Clinton might be returned, are beside themselves with frustration. "Can you think of a worse presidential campaign?" wails George Will (whose wife was a Dole adviser). *The cover of the latest Weekly Stan*dard, the new thinking man's conservative magazine, screams "Alas, *Poor Bob Dole*".

Then there is Ms Arianna Huffington, as ever a weathervane for the right. *The Republican salon* hostess has her own political ambitions and is unafraid to shout what others first mutter about in private.

"How can we convince Bob Dole to withdraw?" she said in a radio interview this week. "For the sake of our party, for the sake of our majorities in the House and Senate, we need to find an excuse, health, whatever, and bring somebody else on." Other rightwing pundits have joined the bandwagon. "Pull the plug and open the convention," demanded Cal Thomas in the Los Angeles Times.

Ms Huffington is right about Congress. Polls now show the Democrats the preferred party by between three and 10 points. That does not easily translate into precise predictions when all 435 seats in the House and 34 in the Senate *are at stake. But if lack of enthusiasm* for Mr Dole continues to grow and if the party's rank and file *decides to sit this election out* at both local and national level, the Republican landslide of the 1994 Congressional elections will come to be seen as a brief interlude.

In fairness, Mr Dole has never been regarded as a strong candidate. A bad-tempered campaigner in 1976, 1980 and 1988 and a stumbling one during this year's early primaries, the best Republican hope was that the old dog, 73 next Monday, could learn new tricks.

At the very least, his image as an authentic war hero and seriously professional politician might be dressed up to contrast favourably with an intermittently feckless president.

It simply has not happened, and opportunity after opportunity to stake out differences between him and Mr Clinton have been missed. *July 4, Independence* Day, was just the most glaring example. The soundbite from his speech in Illin*ois, birthplace of the modern Repub*lican party, had Democrats rolling in the aisles.

Mr Dole said: "I would tell this audience here today there is no place like America. This is America. Right here today is America. July 4th is America. This is America."

In Ohio, Mr Clinton began his speech with the words "our values and our visions are as sturdy as tempered steel" – eloquence far more in the manner of the Abraham Lincoln of 1860 en route to becoming the first Republican president.

It has been downhill for Mr Dole ever since. Every time he tries to drag his party towards the electoral middle – on abortion, not repealing the 1994 ban on assault weapons, eschewing eye-catching tax cuts – his right wing cuts up rough. Every time he tries to get a consistent theme across – this week education – he finds himself embroiled in unrelated controversies, generally the result of his own off-the-cuff remarks to the press, whom he does not much like anyway.

This week Pat Buchanan, the conservative commentator, threatened mayhem on or off the San Diego convention floor if the party weakened its pro-life stance. The National Rifle Association threatened to withdraw its endorsement because of Mr Dole's retreat on assault weapons. Jack Kemp, the old Reagan supply-sider, announced plans for an "economic summit" to preach the virtues of deep tax cuts, rather than the deficit reduction which is Mr Dole's preference.

But the self-inflicted distractions are just as bad. Mr Dole offended Mr Powell by not going to the annual convention of the National *Association for* the Advancement of Coloured People. He made matters worse by first saying he did not *know about* the invitation and then berating the association, the oldest black civil rights organisation, for its *allegiance* to the Democratic party. That may be true but it is hardly politic or tactful – as *Mr Powell, Senator* Al D'Amato of New York and other Republicans have pointed out.

And what induced Mr Dole to say in Tennessee last month that tobacco might not be addictive *remains* a mystery because his own explanations have wandered all over the landscape. But it has spawned the existence at many Dole rallies of Butt Man – a Democratic campaign worker dressed as a cigarette to remind voters that the Republican party takes money from the tobacco lobby (as, of course, do Democrats, but it is Mr Dole who is on the defensive).

This week Mr Dole has seemed chastened, avoiding the media at public events and appearing *almost* docile, not his natural demeanour, during one long television interview alongside his wife, Elisabeth (known as Liddy). In the present climate, he can do no right, and the spotlight immediately turned on Mrs Dole, twice a cabinet secretary, head of the American Red Cross and as much a modern American *female* success story as, well, Hillary Clinton.

As Maureen Dowd, who has roasted the president's wife often enough, put it in her New York Times column: "She [Mrs Dole] was patting Bob Dole's arm as if he were some doddering dad, interrupting him to answer questions, finishing sentences for him, reminding him of his message, cutting him off mid-thought with "That's It"." Her conclusion was that "an articulate First Lady cannot *make up* for an inarticulate president".

The question of what Mr Dole can do to reverse a race that seems to be "settling in", as Reagan versus Mondale did in 1984, is not easy to answer. The choice of a vice-presidential candidate rarely helps much and Mr Dole's prospective list looks staid at best. But he could pick a woman to try and narrow the gender gap.

Policy changes, as on tax cuts, can be transparent. Union-bashing, as he tried with the teachers this week, is from a hygone, pre-Reagan, era, though the labour movement, with a minimum wage increase virtually won, is enjoying an unusually good year.

Ross Perot, now a probable candidate, would hurt Mr Dole's chances even more because he divides the anti-incumbent vote. Kenneth Starr, the Whitewater special counsel, does not look like riding to the rescue either after recent comments about not mixing his judicial inquiries with electoral politics.

With time rapidly running out for Mr Dole, perhaps victory in November is now nothing more than a dream.

·LETTERS TO THE EDITOR·

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com. *Translation may be available for letters written in the main international languages.*

Up there with Russia's cultural giants

From Mr Robin McConnachie.

Sir, Richard Layard, in his *thought-provoking Personal View* ("Time to give the bear a hug", July 15), challenged us to name ten cultural giants from central and eastern Europe and the Balkans to set against the Russians he lists.

A few moments' thought produced a list of Chopin, Dvořák, Liszt, Smetana, Conrad (writing in his third best language), Ionesco, Kafka, Mickiewcz, Paderewski (in his spare time from being prime minister), Wajda (or countless other film-makers as good as Eisenstein) – and this from a much smaller field in terms of relative populations. The contest would be even fiercer if we included scientists, mathematicians or economists! Maybe we can start a competition in the columns of the FT.

More seriously, depreciating the achievements of our nearer neighbours (implicitly or explicitly) does not seem to me to be a good way of advancing Russia's case.

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Required reading to understand the real Tolstoy

From Ms Freda Zoetewelj.

Sir, As a dedicated re-reader myself, I enjoyed Anthony Curtis's review of Henri Troyat's *Life of Tolstoy* ("Celebration of a man of action and a man of letters", July 13/14).

However, I was slightly stunned by his albeit benign dismissal of Sonya as a mother and secretary. Many years ago I read her *Diary of Tolstoy's Wife* and *Countess Tolstoy's Later Diary* which I feel should be required reading for *anyone seriously interested in her* husband.

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More airlines in market through Delta's alliances

From Mr Michael Medlicott.

Sir, The managing director of American Airlines (Letters, July 13/14) questions how Delta Air Lines is able to oppose the proposed British Airways-American alliance, when Delta itself has alliances with Virgin Atlantic and with Swissair, Austrian Airlines and Sabena.

The answer is simple: Delta supports competition. Delta's alliances have increased competition. The BA/American deal would decrease competition by effectively monopolising the air transport market from Heathrow to the US.

When Delta commenced its relationship with Virgin, it did not operate flights on any of the sectors flown by Virgin. As a result of the deal with Virgin, Delta was able to sell seats in seven new transatlantic markets as an additional competitor. For example, before the Delta-Virgin deal there were four UK and US airlines contesting the Heathrow-JFK market. After the deal there were five.

In contrast, the BA-American deal will reduce the number of competitors in markets and give BA-American an overwhelming dominant position in the market: on Heathrow-JFK, BA and American would operate 66 per cent of the flights, on Heathrow-Chicago, BA and American would operate 89 per cent of the flights.

It will be impossible for other carriers to challenge such dominance, even with an "Open Skies" aviation agreement between the UK and the US. Heathrow is full. Slots, gates and parking positions are fully utilised. An "Open Skies" agreement would be worthless to potential new entrants, since the barrier of Heathrow access would remain.

It is the attitude of BA and American which is truly curious. They operate in an industry in which competitive entry to the key market, Heathrow, is impossible. They plan to reduce the number of competitors on six major routes to London. They will come to operate 100 per cent of the services on 15 routes between the UK and the US. This, they argue, will increase choice for consumers. With such logic around, pigs and dodos can have confidence in their future flying careers.

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Policy cannot be so narrow

From Mr Mike Aaronson.

Mr Alan Gelb of the World Bank (Letters, July 15) has missed the *central point* we were *making* (Letters, July 4) about rapid liberalisation in societies in transition. He suggests that Save the Children's concerns can be met by a bit more attention to "social issues", using the obvious arms of welfare provision such as health, education and social security; but meanwhile the "policy steps" of *rapid* macro-economic reform must continue, with all the social casualties they entail – "there is no viable *alternative*".

Save the Children's argument is precisely that no such separation is possible. The social consequences of rapid liberalisation should properly be an integrated part of the "policy" sphere, since reform policies can only succeed if they are inclusive of a majority of the population, produce the stability and equity which markets require, and are seen as legitimate and trustworthy.

A viable alternative is therefore one which ceases to define "policy" so narrowly, which moves away from standardised prescriptions, and which sets out genuinely to engage the people of a transitional society in dialogue, to give them real participation in policy design and thus to enable them to trust in the reforms.

The alternative will be popular alienation and, sooner or later, the enforced slowing or curtailment of the reforms.

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Bright Young Things in the News

The kids who bounce back

John Kingman, a former Treasury official, on the young civil servants accustomed to thinking the unthinkable to control public spending

Keynes once remarked that no Treasury official was doing his job properly unless he was saving the taxpayer at least £1m a week.

Little has changed: if the controversial strategy report leaked this week is anything to go by, the Treasury's gloomy building on Parliament Square is still fizzing with ideas for cutting public spending. The only difference is that the figures are now denominated in billions.

However, the furore over the leak has exposed the building's inhabitants, mostly a retiring breed, to an unaccustomed and doubtless unwelcome burst of publicity.

Not only have the report's authors – a group of relatively junior officials – been splashed over the front pages of the press, they have also been publicly ridiculed by the chancellor, their ultimate boss, who dismissed them as "kids at the office".

In fact the review seems to have been little more than a rather hypothetical corporate planning exercise with the mundane aim of forecasting future staffing needs.

And playing with controversial thinking is in any case nothing new in a department that relishes its tradition of internal debate. Go to a ministerial meeting in many Whitehall departments and the assembled officials will often nod in subdued agreement. In the Treasury, such a meeting is just as likely to be a free-for-all. Senior officials have been known to reprimand their juniors for keeping their mouths shut.

There is a reason for this. Economic policymaking is a soft science and there is rarely a clear-cut right answer. In this boggy terrain, a culture which encourages dissent – and allows it to reach ministers – is an asset.

For officials, this makes the excitement over last week's leaked report difficult to understand. Of course ideas are floated, and of course they are not necessarily government policy. Otherwise, how would policy develop?

Nonetheless a good deal of the Treasury's old self-confidence has gone. The performance of the British economy in the decades since the second world war has been depressingly poor. Government spending as a share of gross domestic product remains little below where it was 17 years ago.

Senior officials, and especially Sir Terry Burns, the permanent secretary, have been through a series of searing experiences such as the "Lawson boom" and the subsequent recession, the spending splurge which surrounded the 1992 general election and Black Wednesday when sterling fell out of the European Exchange Rate Mechanism.

The fact that the institution can point to relatively few successes has resulted in an underlying sense of unease in the organisation. This has been accentuated by recent restructuring in a plan heavily laced with jargon about delayering.

But even if it is less confident than it was, the Treasury is unlikely to abandon its habit of thinking the unthinkable. As much as anything, it is an unavoidable weapon in the age-old game of keeping the public finances in some kind of order.

Each year, as part of the ritual negotiations over the public spending round, Treasury divisions put forward a flood of ideas for policy changes to cut costs. Some are simply unpopular; others are frankly insane. But from time to time they score a hit.

From this process much of the Treasury's reputation for arrogance derives. With only five or six of them to shadow a whole Whitehall department with thousands of civil servants, the Treasury team can appear over-confident and hopelessly ill-informed. Little wonder their opposite numbers in other departments find them intensely irritating.

Nor does it help that the Treasury team is usually conspicuously young. The department traditionally gets the cream of Whitehall's fast-stream graduate recruits, and they tend to be given a taste of power at a significantly younger age than their peers elsewhere in Whitehall.

Of course, they can have a good deal more fun as well. Nonetheless, the artificial and adversarial nature of the arguments over spending – as well as a familiarity with the art of the political fudge – makes for a culture of cynicism.

The hothouse approach also creates a prickly working environment. Treasury officials tend to be aggressively bright. Reputation counts for a great deal: "stars" establish themselves quickly and tend to have the pick of the most glamorous jobs, almost always including a spell in a minister's private office and sometimes in No 10.

With opportunities such as this on offer, competition is inevitably intense. And hours can be very long: the Treasury is at the focus of the Whitehall hub, and almost always in the thick of some political crisis or other. Its officials are constantly having to deal with "bounces" – a well-loved and often effective departmental ruse, whereby the Treasury is only alerted to some expensive new proposal at the last moment and put under heavy political pressure to agree.

Why do officials choose this life? Certainly not for the money: forget the bowler hats and handmade suits; think instead Marks and Spencer polyester. Many Treasury officials ultimately double or triple their salaries in the City – there is a well-trodden path into investment banking.

But money is not the only motivation for those who leave. Others, fed up with a life advising ministers, go because they thirst for the freedom of real decision-making. A conspicuous example is Mr David Willetts, a former Treasury official and private secretary to Lord Lawson when he was financial secretary. Mr Willetts has now become a minister.

But however much officials grumble, the Treasury still has plenty to offer those who stay. The work is intellectually tough and close to the centre of power. By civil service standards, it can be fast-moving.

And it matters. As in any organisation, there is plenty of trivia. But because it holds the pursestrings, hardly anything of importance in government does not at some point cross the desk of a Treasury official.

Moreover, when there is not much else to do, officials can amuse themselves trying to imagine what government might look like in a decade. That way, they even stand a modest chance of fame.

Ross Tieman on the incentive plans fuelling the latest corporate governance row

A brush-fire flares in the boardroom

Mr Brian Staples never expected to find himself in hot water with shareholders when he unveiled a new long-term incentive plan for executives at United Utilities.

Mr Staples, chief executive of the water and electricity group, thought the financial performance targets that had to be achieved for executives to earn bonus shares were sufficiently demanding not to attract criticism. "If I don't manage to outperform the rest of the utility sector I deserve to be sacked," he said recently.

But in a highly unusual move, the Association of British Insurers, representing fund managers, has raised objections, arguing that the rewards, which would provide bonuses of up to 87 per cent of salary, are excessive.

United Utilities is the latest public company to be embroiled in a row with shareholders over L-tips. The shape of these plans has become this year's dominant corporate governance issue. Pensions and Investment Research Consultants (Pirc), a fund management advisory group, surveyed 350 companies in January. It found that 103 had adopted L-tips, but only 42 per cent had obtained shareholder approval for them.

Showdowns over L-tips, however, are only the latest in a series of highly public interventions by institutions determined to exert their will over wayward directors.

Opinion is divided as to whether the City is witnessing the emergence of a new, muscular style of fund management, or whether pressure once exerted in private is now being applied in public.

"There is certainly something going on," says Mr John Rogers, director of investment services at the National Association of Pension Funds. "Arrangements in the board room have significantly changed." He credits the press, and fund managers, for improvements in corporate governance.

Others say the L-tip disputes are the latest moves in a long-running struggle for influence between executives managing the business from day to day, and fund managers who own the assets on behalf of savers. "Institutions, including ourselves, have always been interested in the way companies run themselves and board structures," one leading fund manager says.

But all agree that as investment in quoted companies has grown, both investors and regulators have sought to improve supervision standards.

In 1981 Sir Adrian Cadbury, backed by the Bank of England, launched his Pro-Ned campaign to get more non-executive directors on company boards. A decade later the Cadbury Committee laid down standards of best practice. These initiatives have provided a framework with which funds have tried to make executives more accountable to shareholders.

Mr Rogers says that the improved structure of company boards is much more fundamental than recent rows over pay and incentive packages. Acting within Cadbury guidelines, fund managers have forced recalcitrant companies to ditch a slew of bad boardroom practices.

Over-age directors have been obliged to resign. Over-powerful executives have been forced to divide the roles of chairman and chief executive. And even the most charismatic company chiefs now find their professional longevity curtailed by the obligation to retire by rotation.

Another sign of the increased power of shareholders is the conflict at Eurotherm, the electronic components company where institutional investors are insisting on the reinstatement of Mr Claes Hultman, the sacked chief executive. The board was split, and the owners intervened. Such dramas have been enacted before at other companies, but they usually happened in private.

The L-tip disputes, by contrast, arose out of political concerns about the pay of executives at privatised utilities. Ironically, the L-tips were introduced at the urging of the Greenbury Committee (initiated by the private sector to look into executive pay) in place of bonuses and share options.

But companies were left with considerable scope to tailor the L-tips to their own needs. And disputes have arisen over the performance thresholds set for particular companies.

The dust should soon start to settle. The investment committee of the Association of British Insurers is seeking to define best practice on L-tips. That will guide companies formulating schemes.

But once the institutions have quelled the L-tip brush-fire, more profound issues are likely to re-emerge.

Institutional shareholders are gradually moving on to the offensive to promote a new brand of shareholder activism in the UK. "There is a will amongst some investors and some pension funds and some insurance companies to effect change fairly quickly and fairly radically," says Mr Rogers. "Once one or two major managers set out strict corporate governance guidelines others are bound to follow."

Ms Anne Simpson, joint managing director at Pirc, looks to America, where shareholder activism is gaining a reputation for enhancing investor value. US institutions, for example, are required to vote at meetings in a secret ballot, and to reveal later how they have voted. In the UK, votes are taken in public or by proxy, exposing institutions to lobbying by directors. "We are still in the foothills, with a mountain to climb," she says.

Drugs debate: Tamara Press, who allegedly took large doses of steroids, and Diane Modahl, who fought to clear her name

On the track of the drug cheats

The battle between the sports authorities and athletes who break the rules is being fought at ever higher levels, says **Clive Cookson**

Ancient Greek athletes took stimulating mushrooms and herbs. Aztecs extracted cactus juice. Some participants in the first modern Olympics a century ago downed cocktails of brandy and low-dose alkaloids. And by the 1950s, East German and Soviet athletes were building up their bodies with anabolic steroids.

There is nothing new in the use of drugs – natural or synthetic – to enhance sporting prowess. But every time the Olympic Games comes round, the battle between the drug cheats and the authorities is fought out at a higher level of science and technology.

The Olympic testing laboratory which opens for business in Atlanta today has an unprecedented range of high-tech equipment to analyse contestants' urine samples for traces of any of the 400 drugs banned by the International Olympic Committee.

The lab, which is operated on behalf of the committee by SmithKline Beecham, the Anglo-American pharmaceutical giant, will test every medal-winner and a random selection of other athletes – more than 2,000 samples altogether.

On the other hand, the range of drugs today is greater than ever. Thanks to biotechnology, athletes are gaining access to a new range of human proteins and peptides which are hard to detect with today's procedures. Produced by genetically engineered micro-organisms and cell cultures, they can make a significant difference to athletes' performance.

There is particular concern in Atlanta about two biotech products: human growth hormone (HGH), taken to strengthen muscles and bones; and erythropoietin (EPO), to increase the blood's oxygen-carrying capacity. Both are officially banned, but the SmithKline lab is not testing for them because there is no agreed standard for distinguishing between levels that occur naturally in the body and those that indicate abuse.

More conventional drugs, for which testing is relatively straightforward – at least in principle – include:

- Anabolic steroids, used by "power" athletes to increase strength and build muscles.
- Narcotic analgesics, which mask injuries and raise the pain threshold.
- Stimulants, which increase alertness and self-confidence.
- Beta-blockers to reduce tension and prevent trembling – used in sports where a steady hand is essential.
- Diuretics to increase water loss from the body – helpful to athletes who need to squeeze under a weight limit.

The technical centrepiece of the Atlanta lab is the high-resolution mass spectrometer. This £350,000 instrument is used in conjunction with gas chromatography to identify specific drugs from their individual chemical fingerprints. It is much more sensitive than the machines used at the 1992 Barcelona Olympics and is expected to pick traces of banned steroids several weeks or even months after the athletes stopped taking them.

However, as the case of the British runner Diane Modahl showed, the most sensitive instruments in the world are no use if the wrong procedures are followed. Modahl appealed successfully against a four-year ban on the grounds that the Lisbon testing laboratory stored her urine in conditions that promoted bacterial growth. She argued that metabolism by these bacteria produced high levels of the hormone testosterone.

SmithKline Beecham says procedures in its Atlanta lab are designed to exclude false readings of that sort. For example, the storage conditions for urine samples will be controlled rigorously. But some specialists argue that, if the world of sport really wants to get rid of drugs, it must move from urine to blood testing. "Blood samples would eliminate an enormous amount of doubt from the whole area of drug testing," says Dr Andrew Eaton, an executive of Micromass, a UK manufacturer of high-resolution mass spectrometers. "There would be no trouble detecting abnormal levels of EPO and HGH in blood."

Dr Liz Ferris, a sports medicine consultant and former Olympic diving medallist, says athletes may be prepared to accept blood testing to demonstrate that sport is clean. But she adds: "Blood testing is an invasive procedure, even if only a pinprick is needed, and many athletes may feel that it is going too far. Even giving a urine sample in front of someone is bad enough."

Underlying the debate is uncertainty about the main reason for banning drugs in sport. Is it to protect the athletes from harming themselves? The East German and Soviet sportswomen, like Tamara Press, who allegedly took large doses of steroids during the 1950s, 1960s and 1970s became so masculine in appearance that there could be little doubt that protection was needed.

Is it to protect the interests of athletes who choose not to take drugs? Or is it really to promote some idea of "natural" or "unaided" human competition – a difficult concept in an era of intensive high-technology multi-vitamin training? Since sport and philosophy do not usually mix, such questions are rarely discussed.

It is clear, however, that many of today's rules are arbitrary and inconsistent. For example, Dr Ferris says there are three ways in which athletes can improve long-distance performance through raising the oxygen-carrying capacity of their blood.

"One is legal: to train at high altitude," she says. "The other two – taking EPO and blood doping – are not, although they have the same effect. Why is it acceptable to train at high altitude but cheating to take EPO? There's confusion about what we're trying to ban."

Whatever the problems now, they are nothing compared with those to come in the next century. Although the first trials of human gene therapy are already under way to treat disease, the sports world has not started to discuss what might happen when athletes undergo the procedure to improve performance. There is no technical reason why someone should not be given genes to make additional growth hormone or EPO in their own bodies without the need for injections.

Further in the future is the prospect – or threat – of human genetic engineering to enhance desirable traits such as intelligence or sporting prowess. How will officials at the 2096 Olympics deal with sprinters whose genes have been manipulated for maximum speed? From their perspective, the Atlanta games will seem as quaintly innocent as the ancient Greek Olympics do today.

Motoko Rich on the launch of a new global consortium to put an electronic purse in every pocket

A card that aims to be as good as cash

You are trying to buy a newspaper, but you don't have the exact change. No worries: you present your electronic purse to the newsagent, who slides it into a card reader and taps in the 70p FT cover price. After a whirr and a buzz, the card pops out and you've paid for the paper – with no exchange of notes or coins.

Several global payment organisations such as Visa, MasterCard and Europay International, which runs MasterCard in Europe, are testing versions of these stored value cards in various countries. But this week Mondex, the electronic purse experiment backed by National Westminster Bank and Midland Bank of the UK, has raised the stakes by forming a global consortium to launch their card on a worldwide basis.

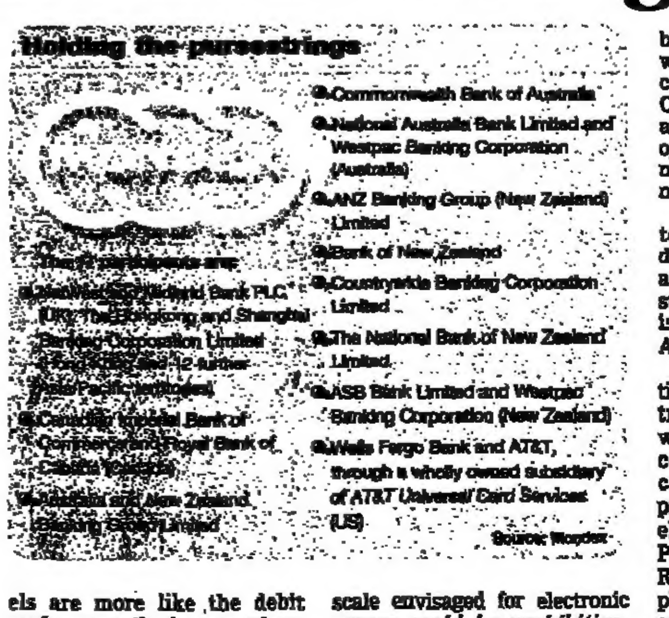
Mondex is a card with a computer chip which can be used for small transactions that do not need to be authorised by the user's bank each time it is used. Pioneered in Swindon, England, it can be used to pay in shops, car parks, laundromats and vending machines.

Seventeen banks subscribed £76.5m for shares in a new private company set up on Thursday to take over the assets of Mondex. NatWest will retain a "substantial" proportion of the funds raised as reimbursement for the development costs, while the balance will be injected as working capital into the embryonic company. A 23.5 per cent stake in newly formed Mondex International has been held back for sale to future franchise holders.

"Mondex has perceived that to win the race they cannot just run separate British or Australian or US trials," says Mr Liam Corr of COBA Group, a London-based consultancy. "They need to catch up with Visa and Mastercard which already have this global network of banks and merchants who take plastic cards from them."

The 17 banks have either launched trials of Mondex or are planning them. "Mondex is the technologically most advanced product," says Ms Catherine Adams, manager of Mondex for the Royal Bank of Canada. "When we were evaluating stored value cards we compared them to cash and Mondex was the one that came the closest."

The cash comparison is what makes Mondex different from its rivals. While the Mondex card is designed to replicate the anonymity and transferability of cash, the Visa, MasterCard and Europay models are more like the debit cards currently in use where details of transfers are processed and stored centrally.



Some critics say Mondex's anonymity will be a handicap in expanding internationally since central banks prefer plastic transactions which can be traced. Without the audit trail provided by centralised processing, Mondex could be more vulnerable to fraud and money laundering.

However, the cost of keeping track of transactions on the scale envisaged for electronic purses could be prohibitive. "The fixed costs of a fully-auditable system will get in the way of very small transactions being economically viable," says Mr Tim Jones, co-founder of Mondex and outgoing chief executive. "It is just not practical to design a product that allows us to exchange value between individuals or down the telephone and be fully auditable."

Other critics of Mondex claim it will run into problems because it does not comply with global standards for chip cards set by Europay, MasterCard and Visa. The standards are necessary, say the payment operators, so that retailers do not have to own lots of terminals to accept different cards.

However, Mondex says most terminal manufacturers can design products which will accept all cards – whatever the standard. "The standards issue is a red herring," says Ms Adams.

But the most important question which faces all the electronic purse suppliers is whether they can persuade consumers to give up using cash. "As yet nobody has proved the economic case for electronic purses," said Mr Peter Hirsch, of Retail Banking Research, a consultancy. "People have been talking about a cashless society for years, but consumers trust it because it is virtually indestructible and universally accepted."

But Visa believes more than £2,000bn of everyday high street spending worldwide will be carried out using electronic cash systems by 2005. And if even a small proportion of the 77 per cent of UK payments made in cash were to switch to electronic purses, it would be a large market. "If Mondex were to capture even 10 per cent of that total it would be equivalent to all payments currently made on credit and debit cards," says the Association for Payment Clearing Services.

"Once a sufficient number of customers and retailers use it, it will take off," says Mr Corr of the COBA consultancy. "Until it reaches a critical mass nobody wants a card because they cannot spend it anywhere and retailers won't want it because nobody will have card."

One obstacle to reaching critical mass will be persuading consumers and retailers to pay for the purse. "The banks have set a precedent by giving cash for free," says Mr Jacques Decock of Mercer Management Consulting. "Why, because it is electronic and is cheaper to the provider and to the shops, should the banks charge the customer to use the purses?"

But Mondex and its rivals believe it is just a matter of time before the advantages of electronic purses are demonstrated. A poll in eight countries in North and South America, Asia and Europe commissioned by Visa found 83 per cent saying they would use the card instead of cash.

"If we can prove it is convenient, quick and useful," says Mr Colin Baptie of Visa, "people are prepared to pay for it."

CURRENCIES AND MONEY

MARKETS REPORT

Dollar weak

By Graham Bowley

Market sentiment towards the dollar turned negative yesterday amid speculation of an imminent rise in Japanese interest rates and in spite of growing expectations of a German rate cut.

Financial markets were calmer after Mr Alan Greenspan, the Federal Reserve chairman, on Wednesday played down fears of rising inflationary pressures which had triggered large falls in US shares and bonds earlier in the week.

But after an initial rally at the London opening, the dollar weakened to close down at the end of the European session against both the yen and D-Mark.

The dollar closed in London at DM1.489, from DM1.492 at the previous close. It lost Y4 against the Japanese currency, closing at Y108.3.

The D-Mark rose in spite of weaker than expected money supply data which raised speculation that the Bundesbank might lower the repo rate at its meeting next week.

Sterling had a quiet day at the end of a generally poor week which saw it lose more than six pfennigs against the D-Mark.

The pound closed at DM2.303, down 2 pfennigs on the previous close. It fared better against the dollar, finishing at $1.547, up from $1.545.

■ Pound in New York

Jul 17	— Latest —	— Prev. close —
£ spot	1.5460	1.5455
1 mth	1.5455	1.5450
3 mth	1.5455	1.5451
1 yr	1.5475	1.5470

The Canadian dollar rallied after the Bank of Canada took advantage of the calmer market conditions to lower key short-term interest rates by 25 basis points to 4.75 per cent.

■ Mr Greenspan's reassuring comments to a Senate committee were interpreted yesterday by the markets as at least delaying the series of interest rate rises investors had feared at the beginning of the week.

Analysts said his remarks suggested the Fed was unlikely to signal more than a quarter point increase in interest rates at its policy making meeting next month.

"The impression the market has gone away with is that Greenspan sees no urgency in raising US interest rates," said Mr Steve Hannah, head of research at IBJ International in London.

But he said the dollar's decline in spite of Mr Greenspan's comments was a sign that it was still correcting from its "over exuberant" strong rises of a few weeks ago.

He said investors had become over-optimistic about the dollar's prospects before the last strong US payroll numbers shocked the market into realising that US interest rates would have to rise soon.

■ The dollar's weakness was due in part to the yen's strength.

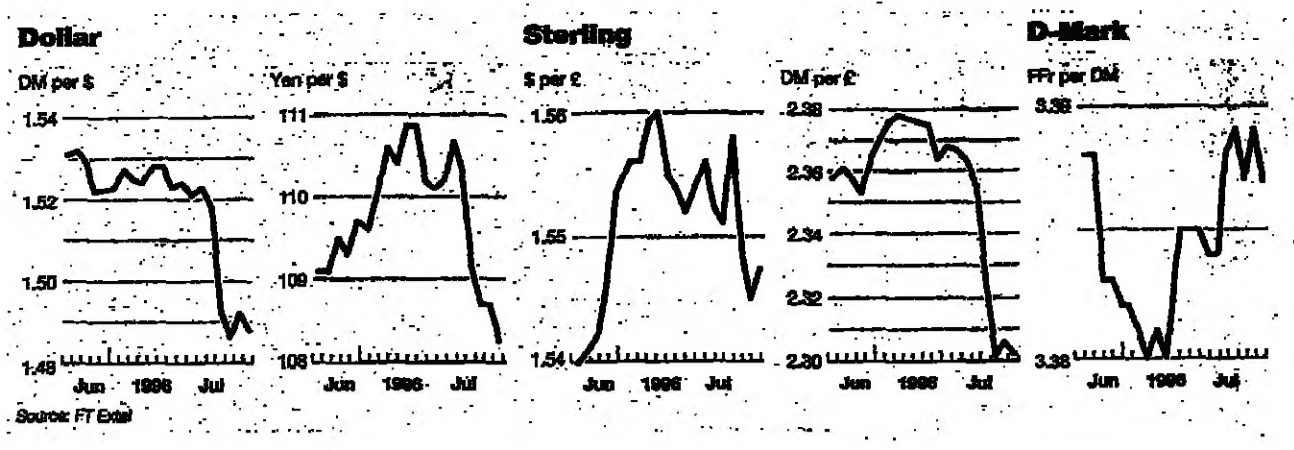
The Japanese currency rose in spite of efforts by the Bank of Japan to dispel growing speculation that Japanese interest rates might rise soon.

Rumours of an imminent tightening continued to circulate in spite of the relatively lax policy the central bank adopted in Tokyo's money markets yesterday.

■ Expectations that the Bundesbank might ease monetary policy next week at its final meeting before the summer break were boosted after data showed M3 money supply grew at an annualised rate of 9.6 per cent last month, down from 10.5 per cent in May.

Analysts said the data showed clear signs of a deceleration in bank lending growth which would strengthen the case for a cut in interest rates next week.

The D-Mark had a better day against the Swiss franc, as investment flows which had sought a "safe haven" during the market turmoil earlier in the week began to reverse.



Source: FT Extel

POUND SPOT FORWARD AGAINST THE POUND

Jul 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2080	-0.0149	983 - 178	16.2452	16.1855	16.1767	2.3	16.1017	2.6	-	-	105.2
Belgium	(BFr)	47.4325	-0.0592	125 - 526	47.5640	47.3700	47.3375	2.4	47.1475	2.4	46.3575	2.3	107.0
Denmark	(DKr)	8.8818	-0.0092	775 - 861	8.9029	8.8707	8.8681	1.9	8.8477	1.5	8.7399	1.6	108.1
Finland	(FM)	6.9976	-0.0173	914 - 038	7.0200	6.9910	6.9932	0.8	6.9851	0.7	-	-	84.9
France	(FFr)	7.8013	-0.0108	987 - 038	7.8219	7.7932	7.7891	1.9	7.7664	1.8	7.673	1.6	109.7
Germany	(DM)	2.3032	-0.0021	019 - 045	2.3096	2.2995	2.2988	2.3	2.2897	2.3	2.251	2.3	109.1
Greece	(Dr)	364.656	-0.039	456 - 856	365.398	363.690	-	-	-	-	-	-	67.7
Ireland	(I£)	0.9635	-0.0022	627 - 643	0.9675	0.9625	0.963	0.5	0.9618	0.7	0.9573	0.6	99.4
Italy	(L)	2342.05	-8.06	077 - 334	2349.90	2340.47	2347.6	-2.8	2357.45	-2.6	2389.95	-2.0	76.5
Luxembourg	(LFr)	47.4325	-0.0592	125 - 525	47.5640	47.3700	47.3375	2.4	47.1475	2.4	46.3625	2.3	107.0
Netherlands	(Fl)	2.5827	-0.0033	818 - 837	2.5895	2.5814	2.5786	2.8	2.5846	2.8	2.5169	2.5	107.3
Norway	(NKr)	9.9043	-0.0176	966 - 119	9.9345	9.8394	9.8958	1.0	9.8788	1.0	9.7953	1.1	98.9
Portugal	(Es)	236.822	-0.42	660 - 984	237.359	236.113	237.247	-2.2	238.152	-2.2	-	-	95.2
Spain	(Pta)	194.355	-0.604	241 - 469	195.337	194.176	194.615	-1.6	195.13	-1.6	196.53	-1.1	80.6
Sweden	(SKr)	10.2297	-0.0466	196 - 397	10.2696	10.2038	10.23	0.0	10.2301	0.0	10.228	0.0	89.2
Switzerland	(SFr)	1.8824	-0.0017	812 - 836	1.8896	1.8811	1.8774	3.2	1.8686	3.4	1.8184	3.4	112.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2220	-0.0006	214 - 225	1.2252	1.2202	1.2207	1.3	1.2177	1.4	1.2044	1.4	-
SDR†	-	1.081960	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5452	+0.0019	447 - 457	1.5478	1.5427	-	-	-	-	-	-	-
Brazil	(R$)	1.5591	+0.003	583 - 599	1.5600	1.5544	-	-	-	-	-	-	-
Canada	(C$)	2.1149	+0.0006	140 - 157	2.1171	2.1031	2.1142	0.4	2.1105	0.8	2.1025	0.6	84.1
Mexico	(New Peso)	11.7785	-0.0512	603 - 966	11.8578	11.7581	-	-	-	-	-	-	-
USA	($)	1.5474	+0.0019	470 - 477	1.5484	1.5430	1.5469	0.4	1.5478	-0.1	1.549	-0.1	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9564	+0.0038	563 - 574	1.9620	1.9488	1.9589	-1.6	1.964	-1.6	1.9892	-1.7	92.8
Hong Kong	(HK$)	11.9723	+0.0151	688 - 758	11.9797	11.9391	11.9642	0.8	11.9526	0.7	11.9329	0.3	-
India	(Rs)	55.0856	-0.2414	636 - 077	55.4170	55.0770	-	-	-	-	-	-	-
Israel	(Shk)	4.9204	-0.0001	168 - 240	4.9251	4.9021	-	-	-	-	-	-	-
Japan	(Y)	167.478	-0.505	385 - 570	167.900	166.790	166.753	5.2	165.263	5.3	158.846	5.2	134.1
Malaysia	(M$)	3.8509	+0.0063	492 - 525	3.8527	3.8405	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2321	-0.0101	304 - 337	2.2402	2.2248	2.2371	-2.7	2.2466	-2.6	2.2804	-2.2	108.4
Philippines	(Peso)	40.5329	+0.0653	850 - 807	40.5975	40.4716	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8035	+0.0072	019 - 050	5.8071	5.7878	-	-	-	-	-	-	-
Singapore	(S$)	2.1931	+0.0001	918 - 943	2.1949	2.1883	-	-	-	-	-	-	-
South Africa	(R)	5.7929	+0.0076	890 - 967	5.8036	5.7682	-	-	-	-	-	-	-
South Korea	(Won)	1259.62	+1.47	926 - 998	1260.40	1256.00	-	-	-	-	-	-	-
Taiwan	(T$)	42.5386	+0.0539	214 - 562	42.6600	42.5229	-	-	-	-	-	-	-
Thailand	(Bt)	39.1557	+0.021	391 - 723	39.1850	39.0530	-	-	-	-	-	-	-

† Rates for Jul 18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.4747	-0.0225	708 - 785	10.5220	10.4730	10.4552	2.2	10.4132	2.3	10.2297	2.3	105.1
Belgium	(BFr)	30.6540	-0.076	480 - 600	30.8100	30.6420	30.599	2.2	30.484	2.2	29.944	2.3	105.8
Denmark	(DKr)	5.7400	-0.013	385 - 415	5.7669	5.7340	5.7325	1.6	5.7155	1.7	5.6465	1.6	107.4
Finland	(FM)	4.5223	-0.0168	193 - 253	4.5431	4.5182	4.5159	1.7	4.5038	1.6	4.4583	1.4	84.1
France	(FFr)	5.0417	-0.0132	412 - 422	5.0652	5.0295	5.0347	1.7	5.0205	1.7	4.9527	1.8	109.3
Germany	(DM)	1.4885	-0.0032	880 - 890	1.4956	1.4863	1.486	2.0	1.4802	2.2	1.452	2.5	108.6
Greece	(Dr)	235.665	-0.315	590 - 740	236.490	235.030	237.34	-8.5	240.69	-8.5	254.665	-8.1	67.3
Ireland	(I£)	1.6060	+0.0057	050 - 070	1.6075	1.5954	1.6066	-0.4	1.6075	-0.4	1.599	0.4	-
Italy	(L)	1513.59	-7.08	310 - 408	1522.45	1511.35	1518.34	-3.8	1526.49	-3.4	1549.24	-2.4	75.6
Luxembourg	(LFr)	30.6540	-0.076	480 - 600	30.8100	30.6420	30.601	2.1	30.4945	2.1	30.014	2.1	105.8
Netherlands	(Fl)	1.6691	-0.0042	686 - 694	1.6774	1.6678	1.6658	2.4	1.6586	2.5	1.6269	2.5	106.8
Norway	(NKr)	6.4006	-0.0193	973 - 043	6.4265	6.3665	6.3979	0.6	6.3923	0.5	6.3558	0.7	98.1
Portugal	(Es)	153.050	-0.46	980 - 120	153.750	152.970	153.365	-2.5	153.955	-2.4	156.1	-2.0	95.3
Spain	(Pta)	125.605	-0.545	560 - 650	126.350	125.550	125.855	-2.4	126.285	-2.2	127.825	-1.8	80.4
Sweden	(SKr)	6.6111	-0.0384	061 - 161	6.6460	6.5960	6.6222	-2.0	6.6396	-1.7	6.6816	-1.1	88.4
Switzerland	(SFr)	1.2165	-0.0026	160 - 170	1.2240	1.2150	1.2129	3.6	1.2055	3.6	1.172	3.7	111.9
UK	(£)	1.5474	+0.0019	470 - 477	1.5484	1.5430	1.5469	0.4	1.5479	-0.1	1.549	-0.1	84.3
Ecu	-	1.2683	+0.0022	680 - 686	1.2684	1.2624	1.2671	-0.7	1.2687	-0.5	1.2775	-0.9	-
SDR†	-	0.68779	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9995	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0076	+0.0007	073 - 079	1.0080	1.0073	-	-	-	-	-	-	-
Canada	(C$)	1.3668	-0.0013	665 - 670	1.3690	1.3645	1.3666	0.1	1.3669	0.0	1.3697	-0.2	83.3
Mexico	(New Peso)	7.6120	-0.0425	020 - 220	7.6225	7.6010	7.7735	-25.5	7.9595	-18.2	8.722	-27.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2642	+0.0008	636 - 647	1.2671	1.2630	1.2662	-1.8	1.2697	-1.7	1.2884	-1.9	94.1
Hong Kong	(HK$)	7.7373	+0.0003	368 - 378	7.7380	7.7364	7.738	-0.1	7.7398	-0.1	7.7688	-0.4	-
India	(Rs)	35.6000	-0.2	000 - 000	35.8200	35.3600	35.75	-5.1	36.055	-5.1	37.525	-5.4	-
Israel	(Shk)	3.1799	-0.004	783 - 815	3.1865	3.1725	-	-	-	-	-	-	-
Japan	(Y)	108.235	-0.46	200 - 270	108.640	107.960	107.79	4.9	106.89	5.0	103.15	4.7	134.8
Malaysia	(M$)	2.4887	+0.001	882 - 892	2.4893	2.4876	2.4896	-0.4	2.4957	-1.1	2.5192	-1.2	-
New Zealand	(NZ$)	1.4424	-0.0083	416 - 432	1.4469	1.4415	1.4455	-2.6	1.4513	-2.5	1.4759	-2.3	-
Philippines	(Peso)	26.1950	+0.01	700 - 200	26.2200	26.1700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4173	-0.0017	168 - 178	1.4199	1.4160	1.4138	3.0	1.4078	2.7	1.3823	2.5	-
South Africa	(R)	4.3900	-0.0005	865 - 915	4.3985	4.3830	4.4375	-13.0	4.5275	-12.5	4.865	-10.8	-
South Korea	(Won)	814.050	-0.05	000 - 100	814.300	813.800	-	-	-	-	-	-	-
Taiwan	(T$)	27.5550	+0.001	510 - 610	27.5700	27.5500	27.581	-0.2	27.586	-0.1	-	-	-
Thailand	(Bt)	25.3050	-0.0175	000 - 100	25.3220	25.2090	25.4037	-4.7	25.6075	-4.8	26.49	-4.7	-

† SDR rate per $ for Jul 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 18: Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.73	16.45	4.856	2.032	4936	5.446	20.88	499.3	409.9	21.57	3.968	2.108	4.459	3.262	353.2	2.576
Denmark	(DKr)	53.40	10	8.783	2.593	1.085	2637	2.908	11.15	266.6	218.9	11.52	2.119	1.126	2.381	1.742	188.6	1.376
France	(FFr)	60.80	11.39	10	2.952	1.236	3002	3.311	12.70	303.6	249.2	13.11	2.413	1.282	2.711	1.983	214.7	1.566
Germany	(DM)	20.59	3.857	3.387	1	0.419	1017	1.122	4.300	102.8	84.41	4.442	0.817	0.434	0.918	0.672	72.73	0.531
Ireland	(I£)	49.20	9.214	8.092	2.389	1	2429	2.679	10.27	245.6	201.7	10.61	1.952	1.037	2.194	1.605	173.8	1.268
Italy	(L)	2.025	0.379	0.333	0.098	0.041	100.	0.110	0.423	10.11	8.301	0.437	0.080	0.043	0.090	0.066	7.152	0.052
Netherlands	(Fl)	18.36	3.439	3.020	0.892	0.373	906.7	1	3.834	91.68	75.26	3.961	0.729	0.387	0.819	0.599	64.85	0.473
Norway	(NKr)	47.89	8.968	7.877	2.325	0.973	2365	2.608	10	239.1	196.3	10.33	1.900	1.010	2.136	1.562	169.1	1.234
Portugal	(Es)	20.03	3.751	3.294	0.973	0.407	989.0	1.091	4.182	100.	82.09	4.320	0.795	0.422	0.893	0.653	70.73	0.516
Spain	(Pta)	24.40	4.569	4.013	1.185	0.496	1205	1.329	5.095	121.8	100.	5.262	0.968	0.514	1.088	0.796	86.16	0.629
Sweden	(SKr)	46.36	8.682	7.626	2.251	0.942	2289	2.525	9.681	231.5	190.0	10	1.840	0.976	2.067	1.512	163.7	1.195
Switzerland	(SFr)	25.20	4.719	4.145	1.224	0.512	1244	1.372	5.262	125.8	103.3	5.436	1	0.531	1.124	0.822	89.00	0.649
UK	(£)	47.43	8.882	7.801	2.303	0.964	2342	2.583	9.904	236.8	194.4	10.23	1.882	1	2.115	1.547	167.5	1.222
Canada	(C$)	22.43	4.200	3.688	1.089	0.456	1107	1.221	4.683	112.0	91.91	4.837	0.890	0.473	1	0.731	79.20	0.578
US	($)	30.65	5.741	5.043	1.489	0.623	1514	1.670	6.402	153.1	125.7	6.613	1.217	0.646	1.367	1	108.3	0.790
Japan	(Y)	28.32	5.303	4.657	1.375	0.576	1398	1.542	5.913	141.4	116.1	6.107	1.124	0.597	1.263	0.924	100.	0.730
Ecu		38.81	7.268	6.384	1.885	0.789	1917	2.114	8.105	193.8	159.1	8.372	1.540	0.818	1.731	1.266	137.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6726	0.6725	-0.0004	0.6735	0.6709	26,734	67,697
Dec	0.6762	0.6764	-0.0007	0.6770	0.6762	177	2,697
Mar	-	0.6818	-	-	-	3	327

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9282	0.9308	+0.0016	0.9320	0.9275	26,957	75,027
Dec	0.9422	0.9426	+0.0020	0.9426	0.9422	242	4,125
Mar	0.9515	0.9515	-0.0002	0.9515	0.9515	1	141

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	-	[illegible]	[illegible]	-	[illegible]	[illegible]	[illegible]
Mar	-	[illegible]	-	-	-	-	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Jul 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.005	-0.232	-0.92	1.92	6
Netherlands	2.15214	2.13941	-0.00024	-0.59	1.58	4
Belgium	39.3960	39.3054	+0.0178	-0.23	1.22	2
Germany	1.91007	1.90790	+0.00067	-0.11	1.10	1
Austria	13.4383	13.4263	+0.0035	-0.09	1.07	1
Portugal	195.792	196.223	-0.004	0.22	0.76	-1
Ireland	0.792214	0.797111	-0.001927	0.62	0.36	-4
France	6.40608	6.46386	+0.00212	0.90	0.08	-6
Denmark	7.28580	7.35741	+0.00176	0.98	0.00	-7
NON ERM MEMBERS						
Greece	292.867	301.698	+0.167	3.02	-1.97	-
Italy	2106.15	1939.48	-4.25	-7.91	9.65	-
UK	0.786852	0.825754	+0.000309	5.10	-3.92	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.520	2.65	2.95	-	0.16	0.55	0.80
1.530	1.86	2.33	2.80	0.39	0.82	1.13
1.540	1.32	1.73	2.07	0.74	1.22	1.54
1.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.560	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

WORLD INTEREST RATES

MONEY RATES

July 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅜	3⅝	3⅝	7.00	2.50	-
week ago	3⅜	3¼	3⅜	3⅝	3⅝	7.00	2.50	-
France	3⅝	3⅝	3⅝	3¾	4	3.55	-	5.60
week ago	3⅝	3⅝	3⅝	3⅝	4⅛	3.55	-	5.60
Germany	3⅜	3⅜	3⅜	3⅝	3⅝	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
Ireland	5¼	5⅜	5½	5⅜	5⅝	-	-	6.25
week ago	5⅝	5⅜	5⅝	5⅜	5⅝	-	-	6.25
Italy	8⅝	8⅝	8⅜	8⅜	8⅝	-	9.00	9.30
week ago	9¼	8⅝	8⅝	8⅜	8⅝	-	9.00	9.30
Netherlands	2⅝	2⅝	3	3⅜	3⅝	-	3.00	3.30
week ago	3⅛	2⅝	3⅛	3⅛	3⅝	-	3.00	3.30
Switzerland	2⅛	2⅛	2⅛	2⅝	2⅝	5.00	1.50	-
week ago	1⅞	2⅛	2⅛	2⅝	2⅝	5.00	1.50	-
US	5⅜	5⅜	5⅝	5⅝	5⅝	-	5.00	-
week ago	5¼	5⅜	5⅜	5¾	6⅛	-	5.00	-
Japan	⅛	½	½	⅝	1¼	-	0.50	-
week ago	⅛	½	½	⅞	1	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5⅝	6⅛	-	-	-
week ago	-	5⅜	5⅝	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.15	5.30	5.43	5.69	-	-	-
week ago	-	5.15	5.34	5.49	5.82	-	-	-
ECU Linked Ds	-	4⅜	4⅜	4½	4⅝	-	-	-
week ago	-	4⅜	4⅜	4⅜	4⅝	-	-	-
SDR Linked Ds	-	3¼	3⅜	3½	3⅝	-	-	-
week ago	-	3¼	3⅜	3⅜	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3½	3⅝ - 3½	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½	3⅞ - 3¾
Danish Krone	4 - 3⅞	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞	4⅜ - 4¼
D-Mark	3⅝ - 3½	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	3 - 2⅞	3⅛ - 3	3⅜ - 3¼	3⅞ - 3¾
French Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾	4⅛ - 4
Portuguese Esc.	7½ - 7⅜	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅛ - 7
Spanish Peseta	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	7⅛ - 7	7⅛ - 7
Sterling	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅞ - 5¾
Swiss Franc	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2¼	2⅝ - 2½
Can. Dollar	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅞ - 4¾	5⅝ - 5½
US Dollar	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½	5⅞ - 5¾	6⅛ - 6
Italian Lira	9 - 8⅞	9⅛ - 8⅞	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾
Yen	½ - ⅜	⅝ - ½	⅝ - ½	⅝ - ½	⅞ - ¾	1⅛ - 1
Asian $Sing	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.16	96.15	+0.05	96.17	96.13	15,498	75,621
Dec	96.04	96.03	+0.07	96.07	96.01	12,690	48,605
Mar	95.88	95.82	+0.08	95.86	95.81	411	30,141

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.71	96.71	-	96.73	96.69	21954	169046

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

■ OTHER CURRENCIES

■ FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in Monday's edition.

UK INTEREST RATES

LONDON MONEY RATES

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

Also traded on APT. All Open interest figs. are for previous day.

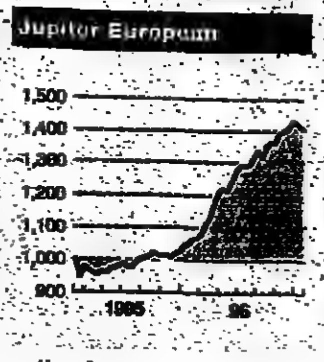
■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

BASE LENDING RATES

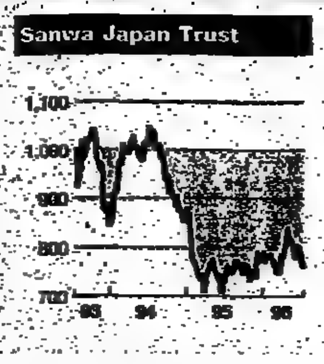
UNIT TRUSTS

WINNERS AND LOSERS

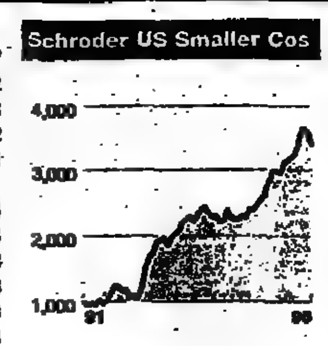
TOP FIVE OVER 1 YEAR	
NatWest UK Smaller Cos	1,487
Framlington Health	1,450
Invesco UK Smaller Companies	1,404
Jupiter European	1,394
Friends Prov American Sm Cos	1,388
BOTTOM FIVE OVER 1 YEAR	
Old Mutual Thailand Acc	791
GT Korean Securities	822
Exeter Warrant	824
Save & Prosper Korea	834
Baring Korea	842



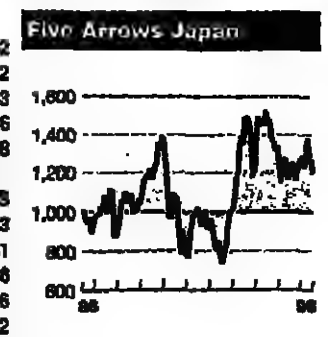
TOP FIVE OVER 3 YEARS	
Morgan Grenfell Europe	2,242
Baring Europe Select	2,170
Prolific Technology	2,100
Jupiter European	2,075
Invesco European Small Cos	1,977
BOTTOM FIVE OVER 3 YEARS	
Save & Prosper Korea	691
Sanwa Japan Trust	758
Barclays Uni Japan & Gen Inc	769
Five Arrows Japan	784
Scottish Japan Growth	811



TOP FIVE OVER 5 YEARS	
Prolific Technology	3,957
Hill Samuel UK Emerging Cos	3,592
Old Mutual Thailand Acc	3,533
Mercury Gold & General	3,282
Schroder US Smaller Cos Inc	3,261
BOTTOM FIVE OVER 5 YEARS	
Friends Prov Japanese Sm Cos	814
Barclays Uni Japan & Gen Inc	898
Invesco Japan Growth	963
Save & Prosper Japan Small Cos	968
Laurentian Japanese	978



TOP FIVE OVER 10 YEARS	
Friends Prov Australian	7,002
Gartmore Hong Kong	6,912
Abbey Asian Pacific	6,903
HSBC Hong Kong Growth	6,686
Invesco S E Asia	6,608
BOTTOM FIVE OVER 10 YEARS	
Barclays Uni Japan & Gen Inc	883
Mercury Japan	931
M&G Japan & General Acc	1,036
CU PPT Japan Growth	1,106
Five Arrows Japan	1,202



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: HSW (01625 511311)

■ Indices						
Average Unit Trust	1091	1267	1708	2585	3.7	2.7
Average Investment Trust	1076	1350	1847	3184	5.2	5.0
Bank	1036	1115	1249	-	0.0	4.5
Building Society	1036	1120	1259	1881	0.0	4.1
Stockmarket: FT All-Share	1114	1481	1771	3243	3.4	4.0
Inflation	1021	1085	1145	1555	0.4	-

■ UK Growth	1 year (£)	3	5	10	Volatility	Yld%
Jupiter UK Growth	1276	1826	2446	-	3.8	1.9
Barclays Uni Leisure	1180	1604	1881	1999	3.8	0.7
Sanwa UK Growth	1289	1582	-	-	3.7	1.8
Pembroke Growth	1155	1540	2436	-	3.1	1.3
Cavendish Opportunities	1118	1535	1747	-	3.9	1.5
SECTOR AVERAGE	1088	1329	1883	2494	3.6	1.9

■ UK Growth & Income	1 year (£)	3	5	10	Volatility	Yld%
Cazenove UK Equity	1119	1465	1810	-	2.8	3.1
Credit Suisse Growth Port Inc	1091	1460	1914	-	3.5	1.5
Mercury UK Equity	1093	1457	1939	3955	3.4	2.4
Morgan Grenfell UK Equity Inc	1038	1449	1990	-	3.3	3.7
Prolific UK Blue Chip	1076	1423	1843	-	3.5	3.3
SECTOR AVERAGE	1042	1280	1579	2829	3.5	2.9

■ UK Smaller Companies	1 year (£)	3	5	10	Volatility	Yld%
Hill Samuel UK Emerging Co's	1289	1846	3592	-	3.6	0.8
INVESCO UK Smaller Companies	1404	1802	2404	2802	4.4	0.4
Waverley Penny Share	1070	1778	2298	-	4.7	-
Gartmore UK Smaller Companies	1347	1725	2002	3809	3.7	0.6
AES Smaller Companies	1343	1721	2440	-	3.7	0.7
SECTOR AVERAGE	1163	1401	1988	2635	3.6	1.4

■ UK Equity Income	1 year (£)	3	5	10	Volatility	Yld%
Jupiter Income	1193	1765	2984	-	3.5	4.3
GT Income	1155	1564	2214	3406	3.7	4.2
BWD UK Equity Income	1077	1454	1726	2289	3.7	2.6
Britannia High Yield Inc	1120	1430	1939	-	3.5	3.8
Lazard UK Income	1074	1422	1796	3371	3.4	5.3
SECTOR AVERAGE	1020	1245	1570	2657	3.5	4.8

■ UK Equity & Bond Income	1 year (£)	3	5	10	Volatility	Yld%
Prolific Extra Income	1071	1320	1671	2736	3.0	4.9
Cazenove UK Equity & Bond	1040	1280	-	-	3.3	6.5
Edinburgh High Distribution	1092	1257	1415	2290	3.5	4.3
CU PPT High Yield	1081	1254	1565	2674	3.5	5.8
N&P Higher Income	1042	1243	1619	2889	3.3	4.4
SECTOR AVERAGE	1018	1165	1485	2250	3.0	5.9

■ UK Eq & Bd	1 year (£)	3	5	10	Volatility	Yld%
BWD Balanced Portfolio	1121	1547	1843	-	3.9	0.8
Credit Suisse High Income Port	1065	1417	1950	-	3.2	4.4
NPI UK Extra Income Inc	1091	1354	-	-	3.2	2.9
Perpetual High Income	1028	1350	2027	-	3.1	3.8
Baillie Gifford Managed	1046	1274	1616	-	2.8	2.9
SECTOR AVERAGE	1032	1258	1609	2520	3.2	3.4

■ Convertibles	1 year (£)	3	5	10	Volatility	Yld%
Baillie Gifford Conv & General	1041	1410	2079	-	3.0	5.7
Abtrust Fixed Interest	1126	1264	2061	2604	2.8	9.3
Framlington Convertible	1067	1257	1610	2292	2.7	5.9
Baring Convertibles	1079	1178	1584	-	2.8	4.9
Prolific Convertible & Gilt	1000	1161	1421	1813	2.7	5.3
SECTOR AVERAGE	1051	1180	1565	2148	2.9	5.6

■ Gilt & Fixed Interest	1 year (£)	3	5	10	Volatility	Yld%
Thornton Preference Inc	1047	1228	1746	2242	2.3	8.8
Exeter Zero Preference	1016	1201	1692	-	1.9	-
HTR Preference & Bond	1062	1163	1619	2089	1.8	8.3
M&G Gilt & Fixed Interest	1066	1148	1400	1820	2.6	7.4
Murray Acumen Reserve	1069	1141	1396	-	2.1	7.6
SECTOR AVERAGE	1033	1101	1426	1957	2.1	7.0

■ International Equity Income	1 year (£)	3	5	10	Volatility	Yld%
Pembroke Equity Income	1126	1365	1743	2294	2.8	4.7
Mayflower Global Income	1022	1234	1830	1959	3.4	4.0
Martin Currie Int'l Income	1029	1213	1856	-	3.1	4.0
GT International Income	1079	1212	1896	2525	2.8	3.0
M&G International Income	1032	1191	1775	2707	2.7	4.5
SECTOR AVERAGE	1037	1199	1700	2248	3.1	3.8

■ International Fixed Interest	1 year (£)	3	5	10	Volatility	Yld%
Baring Global Bond	1095	1158	1662	-	1.9	8.5
Thornton Dresdner Europe Bnd	1049	1149	-	-	1.8	5.7
Guinness Flight EMU	1085	1133	1392	-	2.6	5.5
TSB International Income Incom	1016	1126	1427	-	1.9	5.1
Barclays Uni European Bond Inc	1065	1128	-	-	1.3	6.7
SECTOR AVERAGE	1016	1051	1441	1800	2.0	5.6

■ International Equity & Bond	1 year (£)	3	5	10	Volatility	Yld%
NPI Worldwide Income Inc	1110	1402	-	-	3.0	1.4
Gartmore PS Long Term Balance	1092	1361	1805	-	3.0	2.8
Cazenove Portfolio	1070	1358	1783	-	2.6	2.4
Bank of Ireland Ex Mgd Growth	1072	1334	1796	-	3.0	3.1
Templeton Global Balanced Acc	992	1329	1749	-	2.6	3.2
SECTOR AVERAGE	1043	1221	1579	2501	2.7	2.8

■ Int Growth	1 year (£)	3	5	10	Volatility	Yld%
Prolific Technology	1130	2100	3957	5568	5.5	-
Framlington Health	1450	1828	2600	-	5.8	-
Britannia Int'l Spec Opp's Acc	1182	1623	2446	-	4.6	-
HTR Global Technology	947	1574	2306	4845	5.2	-
Scot Equitable Technology	1047	1536	2136	4455	3.6	0.9
SECTOR AVERAGE	1040	1256	1890	2508	3.7	1.0

■ North America	1 year (£)	3	5	10	Volatility	Yld%
Hill Samuel US Smaller Co's	1346	1937	3213	-	5.2	-
PM North America Growth	1180	1863	2865	-	4.3	-
Govett American Growth	1128	1799	2957	3858	5.7	-
Gartmore American Emerging	1204	1787	3228	5748	4.9	-
Royal Life United States	1180	1665	2648	3294	3.8	0.2
SECTOR AVERAGE	1106	1335	1976	2674	3.3	0.6

■ Europe	1 year (£)	3	5	10	Volatility	Yld%
Morgan Grenfell Europe	1378	2242	2829	-	4.3	-
Baring Europe Select	1383	2170	2203	3077	3.7	1.9
Jupiter European	1394	2075	2703	-	3.6	-
INVESCO European Small Cos	1376	1977	2288	2898	3.6	-
Old Mutual European	1237	1948	2689	4294	5.5	0.1
SECTOR AVERAGE	1083	1518	1854	2707	3.4	0.9

■ Japan	1 year (£)	3	5	10	Volatility	Yld%
Hill Samuel Japan Technology	1066	1167	1396	2755	6.8	-
Martin Currie Japan	1071	1102	1486	-	5.7	-
F&C Anglo Nippon Exempt	1109	1095	1214	2226	5.5	-
GT Japan Growth	1057	1094	1131	1777	3.7	-
Schroder Tokyo Inc	1010	1093	1502	2797	5.5	-
SECTOR AVERAGE	1024	932	1200	1691	5.7	0.1

■ Far East inc Japan	1 year (£)	3	5	10	Volatility	Yld%
Schroder Far East Growth Inc	1088	1433	2079	-	5.9	-
Abtrust Pacific	1020	1367	2136	4226	4.9	0.3
GAM Far East Inc	1042	1320	2007	-	4.7	0.1
Sun Life Far East Growth Acc	962	1300	1842	3149	5.8	-
Perpetual Far East Growth	1081	1294	2364	3981	5.1	0.7
SECTOR AVERAGE	1001	1189	1749	2847	5.2	0.6

■ Far East exc Japan	1 year (£)	3	5	10	Volatility	Yld%
Old Mutual Thailand Acc	791	1748	3533	-	10.1	1.3
GT Orient Acc	1039	1593	-	-	7.9	0.2
Schroder Pacific Growth Inc	1058	1588	2778	-	7.8	0.3
Fidelity ASEAN	916	1549	2942	-	8.2	-
HSBC Hong Kong Growth	1199	1543	2798	6686	9.1	1.1
SECTOR AVERAGE	983	1383	2296	5059	7.3	0.7

■ Best Peps	1 year (£)	3	5	10	Volatility	Yld%
Morgan Grenfell Europe	1378	2242	2829	-	4.3	-
Jupiter European	1394	2075	2703	-	3.6	-
INVESCO European Small Cos	1376	1977	2288	-	3.6	-
Old Mutual European	1237	1948	2689	-	5.5	0.1
Morgan Grenfell Europe Growth	1012	1941	2803	-	4.7	-
AVERAGE UT PEP	1084	1333	1722	-	3.4	3.0

■ Australasia	1 year (£)	3	5	10	Volatility	Yld%
M&G Australasian & General Acc	1218	1353	1927	3080	6.3	2.4
Old Mutual New Zealand	951	1315	2057	-	5.7	3.0
Friends Prov Australian	1078	1291	1855	7002	6.1	-
Barclays Uni Australia Inc	1021	1190	1434	2080	5.6	1.9
SECTOR AVERAGE	1067	1287	1818	4054	5.9	2.4

■ Commodity & Energy	1 year (£)	3	5	10	Volatility	Yld%
Mercury Gold & General	1118	1560	3282	-	9.5	0.3
Save & Prosper Gold & Exp'tion	1237	1527	2381	3028	8.8	-
M&G Commodity & General	1057	1417	1805	3323	5.3	0.4
Waverley Australasian Gold	1185	1406	2743	1754	11.2	-
TSB Natural Resources	1113	1321	2639	4698	7.0	-
SECTOR AVERAGE	1086	1320	2050	3066	7.2	0.6

■ Investment Trust Units	1 year (£)	3	5	10	Volatility	Yld%
Quilter Investment Trusts Inc	1110	1521	2082	-	4.3	-
Exeter Fund of Investment Tsts	1025	1404	1923	-	4.7	0.5
Equitable Trust of Invest Tsts	1058	1361	1967	3736	3.8	1.2
Quilter High Inc Inv Tst Acc	1026	1334	-	-	3.8	3.8
Stewart Ivory Investment Trust	1030	1289	-	-	4.0	0.8
SECTOR AVERAGE	1017	1289	1732	2818	3.9	2.5

■ Fund of Funds	1 year (£)	3	5	10	Volatility	Yld%
Portfolio Fund of Funds	1056	1435	1981	-	3.2	0.6
Morgan Grenfell Managed Inc	1089	1387	1839	-	2.7	2.0
Fidelity Moneybuilder	1097	1378	1954	-	3.1	-
Britannia Managed Portf'lo Inc	1096	1360	1976	-	3.4	1.3
Prudential Managed	1108	1348	1833	-	3.1	1.7
SECTOR AVERAGE	1041	1236	1640	2359	3.0	1.9

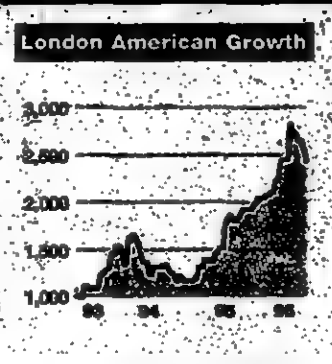
■ Financial & Property	1 year (£)	3	5	10	Volatility	Yld%
Save & Prosper Financial Secs	1154	1443	2234	2982	3.6	1.0
Barclays Uni Financial	1126	1436	1878	2005	3.9	2.8
Framlington Financial	1143	1402	2878	-	2.9	0.5
Hill Samuel Financial	1075	1268	1981	2697	3.9	1.9
Edinburgh Financial	1074	1224	1682	2291	4.2	1.6
SECTOR AVERAGE	1081	1287	1906	2569	3.2	3.1

INVESTMENT TRUSTS

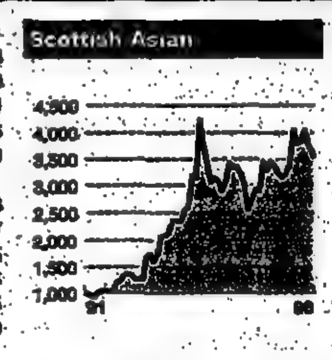
WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR	
Finsbury Worldwide Pharmacy	2,234
TR Technology	1,682
Central European Growth Fund	1,549
Second Consolidated	1,540
Kleinwort Development Fund	1,493
BOTTOM FIVE OVER 1 YEAR	
Exmoor Dual Capital	581
Contra-Cyclical Capital	582
Exmoor Dual Inc	660
Oryx India	667
Dumyat Cnv Annual Dividend	681

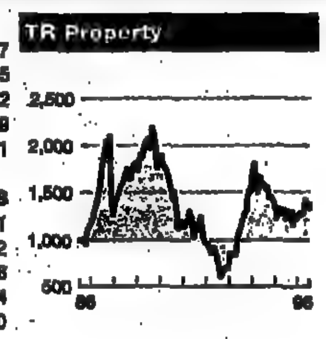
TOP FIVE OVER 3 YEARS	
TR Technology	3,512
Kleinwort Development Fund	2,708
Invesco English & Intl	2,413
London American Growth	2,389
TR European Growth	2,275
BOTTOM FIVE OVER 3 YEARS	
East German	535
Exmoor Dual Capital	558
Contra-Cyclical Capital	621
Exmoor Dual Inc	678
Fulcrum Capital	794



TOP FIVE OVER 5 YEARS	
TR Technology	6,053
MCIT Capital	4,699
Newmarket Venture Capital	3,871
North Atlantic Smaller Cos	3,386
Scottish Asian	3,380
BOTTOM FIVE OVER 5 YEARS	
Exmoor Dual Capital	277
Contra-Cyclical Capital	375
Scottish National Capital	418
East German	505
Exmoor Dual Inc	510



TOP FIVE OVER 10 YEARS	
Candover	7,657
Pacific Assets	7,155
Capital Gearing	6,472
Rights & Issues Inc	6,339
Rights & Issues Capital	5,851
BOTTOM FIVE OVER 10 YEARS	
Newmarket Venture Capital*	801
New Throgmorton (1983) Capital	1,032
Trust of Property Shares	1,098
Jove Capital	1,324
TR Property	1,370



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance. For investment trust prices see main paper.

■ UK General	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Finsbury Trust	1170	1969	2220	10	4.9	2.4
Mercury Keystone	1107	1691	2285	-1	4.9	2.5
Finsbury Growth	1165	1603	2301	5	4.3	2.7
Fleming Claverhouse	1118	1398	1894	1	4.6	2.8
Foreign & Colonial PEP	1059	1374	-	-2	3.7	3.5
SECTOR AVERAGE	1083	1417	1899	-	4.4	3.0

■ UK Capital Growth	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Welsh Industrial	1301	2090	2013	21	8.1	4.8
Kleinwort Endowment Policy	1157	1441	-	-1	3.3	-
Fleming Enterprise	1000	1393	1782	10	5.4	2.6
Broadgate	1175	1291	-	1	4.3	1.5
Ivory & Sime ISIS	1214	1208	-	26	4.6	-
SECTOR AVERAGE	1146	1485	1867	-	5.3	2.3

■ Smaller Companies	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
INVESCO English & Intl	1487	2413	1677	3	7.3	0.7
Henderson Strata	1461	2030	3301	-3	4.8	0.4
Perpetual UK Smaller Cos	1321	1958	2829	-1	4.0	0.8
Gartmore Smaller Companies	1309	1755	1861	10	4.7	2.3
NatWest Smaller Companies	1338	1699	-	5	6.1	2.6
SECTOR AVERAGE	1138	1409	1878	-	5.0	2.5

■ UK Income Growth	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Morgan Grenfell Equity Income	1086	1402	-	1	3.7	3.8
Value and Income	1068	1365	2408	2	3.5	4.2
M&G Income (Units)	1021	1317	-	5	3.6	5.5
Lowland	949	1277	1852	9	4.6	4.2
Dunedin Income Growth	945	1260	1497	13	4.7	5.1
SECTOR AVERAGE	988	1252	1697	-	4.3	5.1

■ Venture and Devt Cap	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Kleinwort Development Fund	1493	2708	2639	13	4.0	2.2
Foreign & Colonial Ent'prise	1328	1953	3374	7	4.4	1.4
Dunedin Enterprise	1125	1858	2758	13	3.7	4.3
Radiotrust	1228	1854	1576	18	9.7	0.7
Candover	1143	1834	2131	9	5.3	3.4
SECTOR AVERAGE	1164	1629	2344	-	5.4	2.3

■ International General	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Law Debenture Corporation	1060	1645	2323	-25	5.0	2.8
Personal Assets	1272	1617	2426	-	3.0	2.2
Brunner	1095	1439	1886	14	5.0	2.7
British Investment	1007	1428	1845	15	4.6	3.0
Witan	1077	1419	1865	16	4.1	3.1
SECTOR AVERAGE	1085	1405	1897	-	4.1	2.7

■ Int Cap Gth	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Primadona	1345	1823	2967	14	4.7	2.0
Updown	1164	1586	1773	15	2.7	2.7
RIT Capital Partners	1252	1573	2631	18	4.4	0.8
TR Technology (Units)	1231	1584	-	10	4.0	1.0
English & Scottish	1065	1489	2194	11	4.8	2.2
SECTOR AVERAGE	1165	1407	1978	-	4.3	1.6

■ Int Income Growth	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Murray International	1111	1457	2111	2	4.3	3.9
British Assets Eqs Index ULS	1153	1389	1691	-	3.5	3.7
Securities Trust of Scotland	1063	1240	1521	6	4.2	4.9
SECTOR AVERAGE	1108	1382	1774	-	4.0	5.0

■ North America	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
London American Growth	1281	2389	3068	6	8.0	-
American Opportunity	1319	1679	2282	5	4.7	-
North Atlantic Smaller Cos	1203	1602	3386	11	4.8	-
Govett American Smaller Cos	1194	1583	-	13	5.5	-
American	1110	1262	1851	18	4.9	2.2
SECTOR AVERAGE	1166	1529	2483	-	5.3	1.1

■ Continental Europe	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
TR European Growth	1329	2275	2748	5	4.9	0.8
Fleming European *Fledgling*	1291	1807	1713	11	6.5	-
Fidelity European Values	1190	1730	-	4	5.2	0.2
Gartmore European	1198	1714	2316	1	5.0	0.8
Martin Currie European	1172	1558	1748	11	7.2	0.7
SECTOR AVERAGE	1186	1605	1846	-	5.4	1.1

■ Pan Europe	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Kleinwort Charter	1141	1618	1852	16	5.1	2.5
European Smaller Companies	1078	1219	-	17	5.2	0.5
ECU Trust	1058	1073	1683	11	4.1	0.9
SECTOR AVERAGE	1089	1302	1818	-	4.8	1.4

■ Japan	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Edinburgh Japan	1088	1138	-	8	7.7	-
Fleming Japanese	1086	1050	1475	5	6.5	-
Baillie Gifford Japan	1072	983	1092	10	6.9	-
GT Japan	954	954	1011	11	6.7	0.7
Baillie Gifford Shin Nippon	1129	938	959	10	7.9	-
SECTOR AVERAGE	1063	984	1134	-	7.2	0.4

■ FE inc Japan	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Govett Oriental	1048	1413	2126	8	8.8	0.4
TR Far East Income	1127	1307	2330	-5	8.8	4.4
Foreign & Colonial Pacific	1116	1348	2048	4	6.4	1.2
Martin Currie Pacific	1026	1214	1595	4	8.3	0.7
Fleming Far Eastern	918	1129	1588	11	8.0	0.5
SECTOR AVERAGE	1047	1300	1927	-	7.2	1.4

■ Far East exc Japan, General	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
TR Pacific	1019	1611	2578	2	9.7	0.2
Scottish Asian	970	1490	3380	3	10.2	-
Pacific Assets	899	1324	2274	8	10.6	0.3
Pacific Horizon	1098	1289	1746	9	6.9	0.8
Govett Asian Smaller Cos	934	1256	-	16	9.1	0.3
SECTOR AVERAGE	979	1320	2376	-	8.8	0.7

■ *Far East exc Japan, Single Country*	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Siam Selective Growth	1003	1763	2359	15	9.5	0.3
First Philippine	1054	1574	2715	23	7.6	-
Abtrust New Thai	1107	1572	2822	16	6.3	1.0
New Zealand	961	1328	3128	-2	7.7	1.5
Korea-Europe Fund	1046	1208	1467	-5	8.8	0.1
SECTOR AVERAGE	991	1300	2106	-	8.1	0.6

■ Emerging Markets	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Templeton Emerging Markets	1041	1279	2786	2	7.2	0.7
Foreign & Colonial Em Markets	863	1267	2117	9	8.2	-
Beta Global Emerging Markets	974	1235	1584	11	8.4	-
Govett Emerging Markets	976	1023	-	15	-	0.3
Fleming Emerging Markets	847	939	-	13	7.0	-
SECTOR AVERAGE	1040	1098	1952	-	8.2	0.8

■ Commodity and Energy	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
North American Gas	823	805	1357	-	8.0	-
SECTOR AVERAGE	1132	805	1357	-	8.0	0.9

■ Property	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
TR Property	1060	1237	1236	17	8.5	4.1
Trust of Property Shares	898	932	980	15	8.0	3.7
SECTOR AVERAGE	1051	1094	1109	-	7.3	3.1

■ High Income	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Dartmoor	993	1387	1371	-12	8.3	13.5
Gartmore Scotland (Units)	1094	1350	-	-	3.6	4.6
City Merchants High Yield	1058	1340	2091	10	3.4	8.4
Foreign & Colonial High Inc	1165	1203	1816	1	5.3	6.1
Fleming High Income	997	1182	1293	8	5.4	5.0
SECTOR AVERAGE	989	1172	1473	-	5.0	8.4

■ Split - Capital	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
MCIT Cap	1248	2037	4699	-1	4.2	-
River Plate & General Cap	1347	1855	1672	15	10.4	-
Rights & Issues Cap	1031	1802	2473	14	8.3	2.4
Aberforth Split Level Cap	1272	1713	2822	24	5.8	-
M&G Income Cap	889	1600	-	60	9.0	-
SECTOR AVERAGE	986	1298	1633	-	7.5	8.3

■ *Split - Income and Residual Capital Shares*	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
TR Technology	1682	3512	6053	40	11.9	1.3
Finsbury Smaller Companies	1314	1630	-	-3	3.8	1.5
I&S Optimum Income	1072	1539	1541	12	7.6	11.2
Fleming Int High Income	1232	1500	1906	5	7.5	11.0
Henderson EuroTrust	1418	1470	-	23	8.3	2.8
SECTOR AVERAGE	1023	1329	1868	-	7.4	11.1

■ Split - Income	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Rights & Issues Inc	1373	2004	2593	-	3.1	6.2
MCIT Inc	1315	1377	2158	-	2.4	13.4
St David's Inc	1143	1355	1602	-	4.1	16.4
Jos Holdings Inc	1118	1338	-	-	2.7	19.9
Derby Inc	1095	1337	1026	-	1.7	17.0
SECTOR AVERAGE	1046	1168	1271	-	3.3	16.3

■ Split - Zero Dividend	1 year (£)	3	5	Dis/Pm(-)	Volatility	Yld%
Exmoor Dual Zero Coupon Pref	1110	1476	1593	-	3.2	-
Jupiter Extra Income Zero	1126	1383	-	-	2.2	-
Jos Holdings Zero Div Prf	1141	1375	-	-	2.9	-
Edinburgh Income Zero Pref	1131	1369	1899	-	2.5	-
Jupiter European Zero Div Pf	1138	1364	-	-	2.3	-
SECTOR AVERAGE	1115	1327	1746	-	2.0	-

Unit trust results allow for the spread between buying and selling prices and assume net income reinvested. Investment trust results are calculated on mid-market prices with net income reinvested. Volatility means the standard deviation of monthly price movements for each fund over the past 3 years. A fund's standard deviation describes the way these movements are dispersed around its average and is a common measure of volatility. A low standard deviation means the monthly returns for a given fund show little variation and the volatility is relatively low. A high figure represents a more volatile performance. Yields are gross. Bank index refers to Lloyds Bank 90-day monthly account and relates to an investment of £10,000. Building Society figure relates to Halifax savings account holding less than £10,000. Investment trust discounts relate share prices to net asset value. A negative figure indicates the shares are at a premium to net asset value. Discounts/premiums are calculated on underlying net asset values supplied by NatWest Securities. *Currently in voluntary liquidation.

UNIT TRUST LAUNCHES

Manager (Telephone) Sector

■ **Japan Smaller Companies**

Waverley 0171 4991245 International Growth No Yes 5 1.5 - 1,000 - - - - - 4 to 26/7/96

Will invest in Japanese companies with a market capitalisation of £800m or less, seeking capital growth from exposure to consumer and service sectors.

INVESTMENT TRUST LAUNCHES

Manager (Telephone) Sector

None.

Investment trusts

Managers of the new investment trust from Thornton have little to do, *writes Roger Taylor*. They can sit back while a predetermined formula will tell them exactly what to buy and sell.

The Momentum Investment Trust invests in smaller companies in the UK using a technique known as "earnings momentum". The idea is that changes in investors' expectations are the driving force behind stock market price movements. The best indicator of changing expectations is adjustments to the forecasts made by brokers' analysts.

A database of all forecasts made by stockbrokers' analysts, will be used to produce a list each quarter of companies which have seen their earnings forecast upgraded. The top half of this list will be bought by the trust.

Tests of how this system would have worked in the past produce impressive results. Between January 1988 and December 1995 a portfolio selected by the system would have produced an annual compound growth of 12.9 per cent compared to a return of 4.2 per cent from the relevant index (FT-SE Small Cap ex-investment trusts).

However, it is all too easy to come up with a system which works on past data. This does not necessarily mean that the system will continue to work in future.

Although the Thornton fund is the first investment trust in the UK to use the technique, earnings momentum has been used in the US for some time, with variable success. But Thornton is confident that the technique will work in the UK.

Thornton are looking for between £10m and £20m, through a placing and open-offer sponsored by Greig Middleton. The offer period starts on July 26 and runs to August 14.

Launch expenses have been capped at 4 per cent and the annual management charge will be 1 per cent.

FT MANAGED FUNDS SERVICE

Authorised Unit Trusts

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF §§

Initial charge: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the buying price of units.

Buying price: Also called offer price. The price at which units are bought by investors.

Selling price: Also called bid price. The price at which units are sold back by investors.

Treatment of manager's periodic charge: The letter C denotes that the trust deducts all or part of the manager's periodic charge from capital, contact the manager for full details of the effect of this course of action.

Exit charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager for full details.

Time: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✦) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

Historic pricing: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

Forward pricing: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

Scheme particulars and Reports: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds, 65 Kingsway, London, WC2B 6TD. Tel: 0171-831-0898.

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

FT MANAGED FUNDS SERVICE

Authorised and Insurances

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OTHER UK UNIT TRUSTS

PROPERTY UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

Insurances, Money Markets and Other

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Money Market Trust Funds

Money Market Bank Accounts

MANAGEMENT SERVICES

J. Henry Schroder & Co Ltd/Special Account

United Dominions Trust Ltd

United Trust Bank Ltd

● NOTES

Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax.
Net: Rate of interest payable after allowing for deduction of basic rate income tax.
Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'
Int Cr: Frequency at which interest is credited to the account.

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd					
Pembroke Hall, Pembroke, Bermuda					
UK Port Advisers 0800 414181			Jersey 01534 71696		
Private Client 0800 414181			00 352 25040430		
From Europe (44) 1732 777377			Hong Kong (852) 848 1000		
A$ Accum		A$18.860		+0.003	6.40
ASch Accum		Sch247.83		+0.01	2.10
C$ Accum		C$18.884		+0.001	3.70
DM Accum		DM38.138		+0.003	2.10
DFl Accum		Dfl31.631		+0.002	1.70
ECU Accum		Ecu73.390		+0.001	3.30
FFr Accum		FFr98.615		+0.005	2.60
HK$ Accum		HK$170.03		+0.01	4.20
Lira Accum		L23173		+5	8.20
NZ$ Accum		NZ$39.095		+0.008	8.80
NKr Accum		NKr111.56		+0.01	3.30
S$ Accum		S$25.884		+0.002	2.30
SPta Accum		Pta2594.4		+0.4	6.40
£ Accum		£12.980		+0.002	4.70
SKr Accum		SKr173.91		+0.02	4.70
SFr Accum		SFr29.328		—	1.10
US$ Accum		$23.209		+0.003	4.30
Yen Accum		Y2038.7		—	0.10
Prices for dealing July 19					
Jupiter Tyndall (Bermuda) Ltd					
PO Box HM1258, Hamilton, Bermuda			001 809 292 2780		
Jupiter Tyndall World Umbrella Fund Ltd					
Eurobond		$15.43	16.21	+0.10	5.95
Money (2)		$14.11	14.83	+0.01	2.79
Mortgage (2)		C$23.12	24.29	+0.04	7.70
North American		$13.78	14.39	-0.52	-
Overseas		$19.84	20.83	-0.82	-
Tiger		$17.69	18.59	-0.76	-
UK Small Cos		£1.39	1.47	-0.05	0.00
Newport Investment Management					
20 Reid St. PO Box HM 3356 Hamilton Bermuda					
UK 0171 336 6060			Dealing: 01481 707080		
Nat. Pacific	8	$4.8019		+0.0519	-
Nat Pacific		£2.9784		+0.0095	-
Newport Tiger Fd		$6.9892		+0.0066	-
Newport Tiger Fd		£4.5105		+0.0061	-
Orion Fund Limited					
8 Front St., Hamilton, HM11, Bermuda			441 292 6970		
Orion Jul 11		$87.1[illegible]		—	—

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Lloyds Intl Money Market Fund Ltd					
Sarnia Hse, Le Truchot, St Peter Port			01481 724983		
Lloyds Bank Fund Managers (Guernsey) Ltd					
Australian Dollar ◆		A$25.378		+0.002	5.606
Canadian Dollars ◆		C$22.351		+0.002	3.849
Deutschmarks ◆		DM39.151		+0.002	2.408
Dutch Guilders ◆		Dfl35.036		+0.002	2.011
ECU's ◆		Ecu38.574		+0.003	3.528
French Francs ◆		FFr198.947		+0.020	2.851
Italian Lira ◆	0	L29079.689		+5.998	8.077
Japanese Yen ◆		Y3389.961		+0.048	0.163
New Zealand Dollar ◆		NZ$94.274		+0.019	8.902
Norwegian Kroner ◆	0	NKr101.821		+0.020	3.694
Portuguese Escudos ◆		Esc2768.740		+0.550	8.847
Spanish Pesetas ◆		Pta3573.853		+0.529	6.670
Sterling Class ◆		£30.584		+0.004	4.997
Swedish Kronor ◆	0	SKr165.411		+0.016	4.800
Swiss Francs ◆		SFr60.692		+0.000	1.515
US Dollar Class ◆		$41.844		+0.006	4.585
Managed Sterling		£19.329		+0.002	6.090
Managed US$		$25.442		+0.003	6.308
Dealing daily					
M & G (Guernsey) Ltd					
Westbourne, The Grange, St Peter Port			01481 722085		
Island Global Fd	0	1838.8	1950.2	+18.2	0.94
Island Gold	0	4485.4	4755.6	+82.3	0.04
(Accum. Units)	0	8545.3	9059	+118.6	0.04
Island UK Fd	0	1010.3	1070.9	+6.7	3.59
(Accum Units)	0	2433.4	2579.4	+16	3.59
Prudential Fund Managers (Guernsey) Ltd					
Po Box 61, St Peter Port Guernsey			01481 707000		
Prudential Money Funds Ltd					
Managed Sterling		156.8	158.9	—	4.04
Managed Dollar	5	$14.35	14.38	+0.1	3.76
Dollar Deposit		$10.86	10.09	—	3.79
Rothschild Asset Management (CI) Ltd					
PO Box 242, St Peter Port, Guernsey			01481 710742/3		
FAIB £ Bond	$3\frac{1}{2}$	£27.28	21.98	—	6.52
FAIB US$ Bond	$3\frac{1}{2}$	$32.04	33.11	+0.03	5.85
FAIB £ Global	$3\frac{1}{2}$	£17.85	18.48	+0.06	3.54
FAIB US$ Global	$3\frac{1}{2}$	$30.24	31.25	+0.11	5.04
Fin Asset Life Am Dist	$5\frac{1}{4}$	$13.29	14.30	—	0
FAIRL £		£44.594		+0.005	4.78
FAIRL A$		A$49.328		+0.008	6.45
FAIRL C$		C$35.596		+0.009	3.69
FAIRL DFl		Dfl100.008		+0.005	1.84
FAIRL DKr		DKr305.85		+0.030	2.73
FAIRL DM		DM97.507		+0.008	2.19
FAIRL ECU		Ecu31.556		+0.003	3.32
FAIRL BFr		BFr2031.4		+0.100	2.12
FAIRL FFr		FFr442.625		+0.033	2.72
FAIRL HK$		HK$179.82		+0.020	4.05
FAIRL Lira		L141307		+31.0	8.33
FAIRL NZ$		NZ$45.41		+0.010	8.92
FAIRL S$		S$39.561		+0.005	2.19
FAIRL Pta		Pta4413.74		+0.690	6.54
FAIRL SF		SFr77.113		+0.005	1.45
FAIRL SKr		SKr200.57		+0.020	4.99
FAIRL US$		$62.102		+0.008	4.35
FAIRL Yen		Y10114.08		—	0.00
FAIRL Man £		£26.159		-0.019	3.62
FAIRL Man DM		DM64.768		+0.058	2.19
FAIRL Man $		$31.842		-0.008	3.20
FAIRL Man Int		$21.85		+0.002	2.76
FACR £		£10.109		+0.002	[illegible]

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Latin American		£1.354		-0.028	-
Latin American US$		$2.103		-0.040	-
MFS Index Linked Bond		£1.007		+0.001	-
MFS Sterling Bond		£1.022		+0.001	-
Overseas Assets		£1.580		-0.076	-
Reserve Assets Bond		£0.8950		+0.000	6.5
Selector UK		£1.459		+0.004	-
Selector UK US$		$2.244		+0.007	-
US Small Company		£1.461		-0.0[illegible]	-
Murray Johnstone (Dublin) Ltd					
Europa House, Harcourt St, Dublin 2			3531 407 2000		
Murray Global Accumulation Fund Plc					
Murray Fixed Bond - 2		102.50		+0.02	5.35

	Selling Price	Buying Price	+ or -	Yield Gross
Japan Fund	[illegible]	[illegible]	[illegible]	0.00
Malay Sing	$133.46	140.14	+1.34	0.00
Nth America	$36.71	38.34	+0.38	0.00
Octopus Fund	$41.50	43.59	+0.35	0.00
Pacific Fd	$110.94	116.39	+0.63	0.00
International Bond	$19.56	20.5[illegible]	+0.03	8.22
Europa Fund	$21.22	22.29	+0.05	0.55
Tristar Warrant	$22.56	23.69	+0.47	0.00
Hong Kong	$118.35	124.26	+1.08	1.15
Global Emerging Mkts	$11.53	12.11	+0.03	0.00
Latin America	$13.40	14.07	+0.12	0.00
Currency Fd-US Dollar	$17.[illegible]			4.00
Curr Fd-Managed $	$7.29	8.16	+0.02	5.07
Korea Fund	$8.01	8.42	+0.08	0.00
Taiwan Fund NAV	[illegible]		—	0.00
Europe Select Feeder	£0.95	1.00	+0.01	0.00

	Init Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Odey Asset Management Ltd					
30 Harcourt Street, Dublin 2			00 3531 790 2400		
Odey European Gth Inc		DM154.30		—	-
Odey European Gth Acc		DM154.97		—	-
Odey European Gth Inc		£65.57		—	-
Odey European Gth Acc		£65.62		—	-
Old Mutual International Fd Mngrs Ltd (z)					
9/11 Lower Mount Street, Dublin 2, Ireland			00 3531 6621588		
Old Galileo Euro Sm Gwth		$1.323		+0.011	0.00
Old Galileo Eas Asia Eq		$0.933		+0.005	0.00
Old Galileo Emer Mkt Bd		$1.10[illegible]		+0.007	8.20
Old Galileo Emer Mkt Eq		$1.059		+0.013	0.00
Old Galileo Glbl Mod		$1.352		+0.005	0.00

	Selling Price	Buying Price	+ or -	Yield Gross
Baring Mutual (Ireland) Ltd				
Umbrella Fund Inc	$12.50	12.[illegible]	+0.07	8.04
Greater America Fund '97	$97.16		—	0.00
Pacific Emerging 94 A	$95.35		-1.40	0.00
Pacific Emerging 94 B	$93.24		-0.00	0.00
Latin America	$97.73		+0.03	0.00
Berkshire KITG Growth Fund Plc				
NAV	$6.10		-1.01	-
Berkshire Korea Fund Plc				
NAV	$8.12		+0.0[illegible]	-
Bordier Invest (Ireland) Ltd				

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Asn Gwth Fd	$10.8366	11.5184	—	-
Offshore Emerging Cos	$7.4135	7.8782	—	-
Offshore Far East Gwth Fd	$5.0081	5.3200	—	-
Offshore Intl Gwth Fd	$5.9405	6.3130	—	-
Offshore Japanese Gwth Fd	$1.3157	1.3982	—	-
Offshore UK Growth Fd	$3.6020	3.8317	—	-
Offshore Asia Smaller Mkts	$1.7600	1.8714	—	-
Offshore Latin Amer Growth	$1.0734	1.1408	—	-
Offshore European Gwth Fd	$2.5229	2.6811	—	-
Offshore Global Bond	$0.9358	0.9957	—	-
Offshore Global Bond Acc	$1.1320	1.1782	—	-

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Jul 12		$6.57	—	-

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£23.35	23.58xd	—	1.14
Lowes Aggressive Portfolio	£10.77	11.33	—	-
Lowes Defensive Pfolio	£11.95	12.58	—	-
Lowes Collective Pfolio Ltd	£11.2	11.74	—	-

For Schroder Kemp Gee see Hambros

TSB Fund Managers (CI) Ltd

TSB Island Pension	713.7	751.3	+6.6	-
Island Equity Acc	124.0	130.5	+1.3	-

WMB Asset Management (Jersey) Ltd

Fixed Inc Dollar Income	$998.21	806.34	—	-

Dresdnerbank Asset Mngmt SA (x)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
DB-Lux Rentenspezial (DM)		DM71.23	73.37	—	-
DB-Lux Rentenspezial		DM98.76	102.77	—	-

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

Establishment Tst Jul 12	$2.88	-0.08	-	

Eiglestan Global SICAV (x)

13 Rue Goethe, L-1637, Luxembourg 00 352 404646213

Equity Portfolio Jul 18	$2.300	-0.008	-
Reserve Portfolio Jul 18	$2.080	+0.025	-

EquiFund–Wright National Eqty Fd (x) (x)

14 rue Aldringen, L-1118 Lux 00 352 479 06500

Australasian Nat	A$15.10	15.25	—	-
Austrian Nat Equity	Sch90.51	96.17	—	-
Belgium/Lux Nat Eqty	BFr718	726	—	-
French Nat Equity	FFr127.86	129.24	—	-
German Nat Equity	DM17.32	17.50	—	-
Dutch Nat Equity	Dfl38.36	38.74	—	-
Italian Nat Equity	L12122	12244	—	-
Japanese Nat Equity	Y1368	1382	—	-
Hong Kong Nat Equity	HK$115	116.40	—	-
Spanish Nat Equity	Pta1183	1195	—	-
UK Nat Equity	£10.00	10.10	—	-
United States Dlr Res	$10.97		—	-

Fidelity Funds (x)

Kansallis House, Place de l'Etoile, L-1021 Lux BP 2174

UK-01732 777377 Lux-00 352 250 404 1230

Major Market Funds

America	$2.168	+0.028	-
Europe	DM4.825	-0.002	-
International	$15.82	+0.15	-

Mansfield Regent Global Fund (x)

13 rue Goethe, L-1637

American Gth Fund	$10.0364
European Gth Fund	$9.2297
Global Resources Fund	$4.0157
Intl Growth Fund	$2.1572
Japanese Gth Fund	$2.4151
Pacific Basin Gth Fund	$3.4229
Reserve Fund	$2.2762
Tiger Fund	$2.2235
UK Gth Fund	$1.9848

Mercury Asset Management S.A.

B.P. 1058, L-1010 Luxembourg

Mercury Selected Trust-SICAV (x)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

NORTH AMERICA

UNITED STATES (Jul 19 / US$) (4 pm close)

EUROPE

AUSTRIA (Jul 19 / Sch)

BELGIUM/LUXEMBOURG (Jul 19 / Frs.)

DENMARK (Jul 19 / Kr)

FINLAND (Jul 19 / Mkaa)

FRANCE (Jul 19 / Frs.)

GERMANY (Jul 19 / Dm.)

ITALY (Jul 19 / Lire)

NETHERLANDS (Jul 19 / Fls.)

NORWAY (Jul 19 / Kroner)

SPAIN (Jul 19 / Pta.)

SWEDEN (Jul 19 / Kronor)

SWITZERLAND (Jul 19 / Frs.)

CANADA (Jul 19 / Can. $) (4 pm close)

AFRICA

SOUTH AFRICA (Jul 19 / Rand)

PACIFIC

JAPAN (Jul 19 / Yen)

AUSTRALIA (Jul 19 / Aus$)

HONG KONG (Jul 19 / H.K.$)

MALAYSIA (Jul 19 / MYR)

SINGAPORE (Jul 19 / S$)

INDICES

	Jul 19	Jul 18	Jul 17	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16790.21	16753.73	18881.86	20/5	16022.61	19/3
Australia							
All Ordinaries(1/1/80)	2157.6	2119.6	2098.1	2328.00	26/4	2098.10	17/7
All Mining(1/1/80)	972.7	948.6	936.4	1118.40	8/5	934.80	18/7
Austria							
Credit Aktien(30/12/84)	361.77	353.93	356.96	394.99	31/5	361.77	19/7
Traded Index(2/1/91)	1026.46	1029.47	1036.80	1142.61	28/5	976.27	2/1
Belgium							
BEL20(1/1/91)	1687.77	1681.73	1688.42	1773.28	28/5	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	61898.0	62147.0	66622.80	12/7	43801.00	2/1
Canada							
Metals Minls♦(1975)	(u)	4963.38	4930.80	5624.60	8/5	4067.47	16/1
Composite♦(1975)	(u)	5006.90	[illegible]	[illegible]	31/5	4739.70	15/1
Portfolio§§(4/1/83)	(u)	2475.73	2438.82	2585.55	27/5	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5808.33	5584.98	5804.33	8/1	5216.28	8/4
Denmark							
CopenhagenSE(3/1/83)	408.16	406.82	405.92	415.10	4/7	366.40	2/1
Finland							
HEX General(28/12/90)	1994.55	1993.13	1986.32	2070.42	31/5	1861.87	10/1
France							
SBF 250(31/12/90)	1369.00	1373.97	1367.70	1457.56	6/6	1250.18	3/1
CAC 40(31/12/87)	1992.83	2007.26	1995.11	2148.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	890.06	886.08	883.48	911.74	5/7	818.55	2/1
Commerzbank(1/12/53)	2575.90	2562.80	2554.50	2627.80	5/7	2370.20	2/1
DAX‡(30/12/87)	2520.19	2506.22	2497.19	2583.49	5/7	2284.88	2/1
Greece							
Athens SE(31/12/80)	887.17	891.45	895.67	1017.96	4/3	881.46	18/7
Hong Kong							
Hang Seng(31/7/64)	10845.30	10711.24	10809.10	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	3763.09	3775.99	3722.24	4069.26	18/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	580.07	576.32	578.26	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2440.75	2416.78	2416.47	2585.19	18/6	2234.61	2/1
Italy							
Banca Comm Ital(1972)	624.61	622.49	616.20	674.10	20/5	572.21	27/3
MIB General(2/1/96)	1059.0	1055.0	1044.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21476.29	21566.42	21412.86	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	301.04	302.66	300.67	319.20	26/6	284.48	11/3
Topix(4/1/68)	1630.80	1636.08	1625.84	1722.13	26/6	[illegible]	13/3
2nd Section(4/1/68)	2218.50	2212.65	2202.63	2281.46	2/7	1882.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1128.40	1123.36	1128.50	1180.84	30/4	983.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3064.19	2990.37	3382.88	22/5	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	616.7	610.9	608.8	662.60	12/6	539.50	2/1
CBS All Shr(End 83)	365.2	362.4	359.8	387.10	12/6	329.70	2/1
New Zealand							
Cap. 40(1/7/86)	2081.61	2053.91	2056.25	2203.06	4/1	2025.14	7/6
Norway							
Oslo SE(Ind(2/1/83)	1392.71	1380.16	1389.31	1466.71	12/6	1298.80	30/1
Philippines							
Manila Comp(2/1/85)	3228.30	3186.04	3167.66	3374.40	5/7	2878.87	2/1
Portugal							
BVL 30(4/1/93)	1935.57	1927.89	1927.11	1989.29	3/7	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	553.99	549.83	551.78	610.37	5/2	548.10	16/7
South Africa							
JSE Gold(28/9/78)	1789.1♥	1790.9	1808.0	2030.40	29/5	1348.40	2/1
JSE Ind.(28/9/78)	8040.5♥	7945.4	7897.1	8739.30	25/1	7723.20	20/5
South Korea							
KoreaCompEx**(4/1/80)	837.39	816.47	(c)	986.84	7/5	812.86	16/7
Spain							
Madrid SE(30/12/85)	358.19	356.89	354.09	379.35	1/7	323.76	11/1
Sweden							
AffarsvarldnGen(1/2/37)	1915.1	1904.0	1905.0	2019.80	6/6	1708.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1740.81	1738.97	1740.68	1811.86	11/7	1616.19	17/1
SBC General(1/4/87)	1237.05	1233.63	1234.90	1284.98	11/7	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6192.28	6122.30	6102.73	6880.41	29/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1182.38	1179.84	1172.38	1415.04	5/2	1172.38	17/7
Turkey							
Istanbul Comp.(Jan 1986)	65204.7	66391.0	66683.9	73531.30	8/7	38779.30	2/1
WORLD							
MS Capital Intl$(1/1/70)	755.2*	755.3	748.1	783.20	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1638.74	1631.33	1624.61	1709.78	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1391.82	1386.56	1378.72	1458.28	28/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	368.17	366.66	383.16	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	159.72	158.43	156.22	165.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Jul	2027.0	2009.0	-	2029.0	1993.0	161	28,459
Aug	2030.0	2015.0	-	2033.0	1999.5	689	5,125
DAX							
Sep	2538.0	2507.5	-11.0	2542.0	2504.5	21,940	92,177
Dec	2556.0	2526.0	-10.5	2556.0	2526.0	290	-
OMX							
Jul	1480.00	1479.50	+11.50	1485.00	1476.25	2,909	13,686
Aug	1488.25	1482.00	+9.00	1489.00	1482.00	1,165	6,488
SOFFEX							
Jul	3699.0	3684.0	+26.5	3693.5	3678.0	3,851	15,586
Aug	3699.0	3668.0	+6.55	3700.0	3660.0	4,098	21,679

** Sat Jul 13: Taiwan Weighted Price 6116.88; Korea Comp Ex 835.31. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3, NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jul 19 – 2498.35 -7.21

US INDICES

Dow Jones	Jul 18	Jul 17	Jul 16	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5464.18	5376.88	5358.76	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.50	101.14	101.02	106.09 (14/2)	100.89 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2031.94	2018.52	1980.87	2296.20 (23/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	213.32	213.11	213.63	234.00 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5500.43 (5466.29) Low 5382.10 (5325.10) (Theoretical♦)
Day's high 5472.69 (5429.41) Low 5380.48 (5358.78) (Actual♦)

Standard and Poors							
Composite‡	643.58	634.07	635.37	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	762.47	751.12	743.71	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	65.61	64.28	63.78	68.58 (5/3)	58.67 (10/1)	68.58 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	345.10	340.10	336.80	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	551.83	538.99	525.60	614.98 (22/5)	525.60 (16/7)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1109.82	1086.88	1083.49	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jul 12	Jul 5	Jun 28	Year ago
Dow Jones Ind. Div. Yield	2.26	2.22	2.18	2.36
	Jul 17	Jul 10	Jul 3	Year ago
S & P Ind. Div yield	2.32	2.03	na	2.07
S & P Ind. P/E ratio	18.63	21.97	na	18.89

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
AT & T	11,913,500	54	-2¼
Micron Tech	6,510,000	19⅝	+1¾
Hewlett-Pckd	6,182,100	43¾	+½
McDonalds	4,153,400	45⅞	+1¼
Federal Nt	3,756,200	33⅛	+2⅞
LSI Logic	3,671,300	20⅝	+1⅞
Intl Game Tc	3,261,600	18	+½
Pepsico	3,165,000	32⅜	+1¼
Westinghous	3,160,400	17¼	+⅝
Loral Space	3,088,500	13⅝	+¾

■ TRADING ACTIVITY

● Volume (million)

	Jul 18	Jul 17	Jul 16
New York SE	489,646	509,470	684,912
Amex	26,326	27,205	41,663
NASDAQ	651,834	718,310	896,334
NYSE			
Issues Traded	3,167	3,169	3,190
Rises	1,880	1,741	689
Falls	619	722	1,855
Unchanged	668	706	646
New Highs	32	14	13
New Lows	37	45	271

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Sep	647.50	646.20	-1.25	647.65	635.85	88,170	174,703
Dec	645.00	653.25	-	-	-	1,130	7,320

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nikkei 225							
Sep	21750.0	21540.0	-80.00	21750.0	21540.0	14,985	227,987
Dec	21730.0	21660.0	+110.0	21730.0	21660.0	2	8,449

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices.

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WORLD STOCK MARKETS

AMERICA

US stocks reverse early gains by noon

Wall Street

US shares reversed course yet again yesterday, giving back some of the strong gains made in Thursday's session, *writes Lisa Bransten in New York.*

Technology shares were particularly weak as a number of companies failed to deliver positive earnings surprises to investors. The Nasdaq composite was off 17.09 at 1,092.73 and the Pacific Stock Exchange technology index was 2.3 per cent lower.

Iomega, the maker of high density computer disk drives, tumbled $5 or 18 per cent to $23, although late on Thursday the company reported second quarter earnings of 11 cents a share, a cent ahead of analysts' estimates. Sun Microsystems lost $3⅛ or 6 per cent at $54⅞ after it also reported earnings a cent a share ahead of estimates.

LSI Logic put out second quarter earnings a cent behind estimates at 34 cents a share and saw its shares slip $1⅝ or 8 per cent at $18⅝. The semiconductor company said that it expected third quarter revenues to decrease because of a slowdown in orders.

Internet companies were also weak with the American Stock Exchange/Interactive Week Internet index falling nearly 5 per cent. Netscape Communications lost $4¼ or 8 per cent at $52¼, UUNet shed $2¼ at $59⅞ and Cybercash dropped $3¼ or 8 per cent to $40.

Declines on the bond market exerted some weight on the broader markets. By 1 pm, the Dow Jones Industrial Average was off 41.06 at 5,423.12. The Standard & Poor's 500 fell 6.82 at 636.74 and the American Stock Exchange composite shed 4.37 at 547.26. NYSE volume was 246m shares.

Delta Airlines slipped $2¼ or 3 per cent at $72⅞, in spite of reporting earnings of $4.18 per share, 7 cents ahead of analysts' estimates.

Amgen managed to rise $1 at $56⅞ after reporting earnings of 64 cents a share, 6 cents ahead of estimates.

Shares in Sunbeam jumped $5¾ or 46 per cent to $18¼ after the company's announcement, late on Thursday, that Mr Al Dunlap, a corporate turnaround specialist, was appointed chairman and chief executive.

Canada

Toronto held on to a small gain at midsession, helped by a strong performance in banks after data which suggested that inflation and domestic demand were subdued prompted the Bank of Canada to cut short-term rates by 25 basis points to 4.75 per cent.

The TSE-300 composite index was 3.96 higher by noon at 5,010.90 in volume of 31.9m shares.

Banks were actively traded during the morning session. Toronto-Dominion Bank rose 35 cents to C$25.65 and Bank of Nova Scotia was 55 cents higher at C$33.75.

Latin America

MEXICO CITY was slightly off by midsession with some profit-taking being seen. The IPC index was down 9.75 at 3,054.44.

In contrast, SAO PAULO was up 2 per cent by midsession. But there was caution among analysts who felt that problems at Bano Bamerindus could cause problems next week.

Bamerindus announced a restructuring plan this week, but there were fears that this was a stop-gap measure rather than a real long-term solution to the bank's problems.

● CS First Boston has run counter to the opinions of many other brokers by upgrading its weighting on Mexico to overweight from underweight, cutting Brazil to neutral from overweight and reducing Peru to underweight from neutral.

The broker remarked that "over the next couple of months the news coming out of Mexico will positively surprise investors. Most of the news from Brazil and Peru, while generally positive, will be in line with expectations and, therefore, is already factored into stock prices".

Clouded by budgetary confusion down under

Nikki Tait on the prospects for Australian equities

"Heads I win – tails you lose," is a favourite playground trick for winning coin-tossing contests. Said quickly enough, it fools opponents into believing they have a chance.

Australian investors may have feel that they have been on a similar receiving end. In the past, their market has tracked Wall Street with a close degree of correlation. But no sooner did the US market begin its phenomenal rise 18 months ago than this coupling went sadly loose.

While the Dow Jones Industrial Average rose by around 50 per cent between the beginning of 1995 and mid-1996, the Australian All-Ordinaries managed only a 15 per cent gain.

Only when Wall Street embarked on its roller-coster ride this week did Australian stocks seem to remember their former mentor. The All-Ordinaries index plunged by 2.2 per cent on Tuesday compared with Wall Street's near-three per cent fall on Monday. The drop wiped about A$7bn off the smaller share market.

Australian shares then *traded nervously for the next* couple of sessions, before rallying fairly strongly on Friday in the wake of Wall Street's overnight bounce. The lesson seemed painfully obvious: Australian stocks are happy enough to follow Wall Street down, and a lot more reluctant to chase it up.

Analysts have various explanations for this. Some see the strong rise in the Australian dollar – with the consequent impact on export-related earnings – as a complicating factor. "I wouldn't mind betting that if you hadn't seen the Australian dollar go from US$0.73 to US$0.80 this year, the markets would looked more similar," says Mr David Rickards at Macquarie Bank.

Others cite the structure and nature of Australia's quoted corporate sector. "I think it's in a different growth phase from the US, and this is reflected in share prices," says one Sydney-based trader.

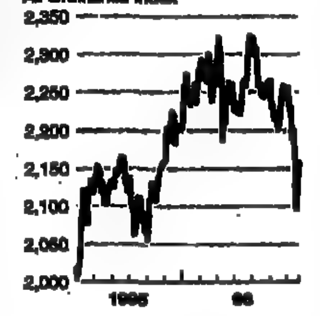
At a macro level, such an assessment looks, at first, surprising. According to the latest official figures, the economy grew by a commendable 4.8 per cent in year to end-March.

Admittedly, many observers – from industrialists to economists – viewed the March number as "freakish", and at odds with the more cautious mood out on the nation's high streets.

Nevertheless, the consensus is that economic growth in the year to end-June will be in the 3.5-4 per cent range, a notch above most major industrial countries.

But the make-up of the stock market remains somewhat unrepresentative of the economy as a whole. Resources stocks account for about one-third of the All-Ordinaries index, for example, and bank/finance shares, a further 15 per cent.

Australia



Source: FT Extel

Both have had their problems. The drift in copper prices in 1995 and the more recent related problems have clouded prospects for some of the larger mining companies. BHP, which accounts for a hefty 10 per cent of the All-Ordinaries index, is the prime example – with a big drop in earnings from its steel division compounding its woes.

As a result, BHP shares have lost almost 15 per cent of their value over the past two months. Bank stocks, meanwhile, have weakened in the wake of a mortgage price war.

Conversely, technology shares – which starred in Wall Street's run – are a very small part of the Australian market.

Looking forward, this makes for mixed prognostications. The broad economic parameters do not look unfavourable. Growth predictions for the 1996/6 financial year vary quite widely, with pessimists pitching below three per cent, and optimists a little over that level.

But even Mr Bernie Fraser, governor of Australia's Reserve Bank, is now predicting that inflation should fall back into the desired 2-3 per cent band in the second half of 1996, and remain there into 1997. That has already helped to nudge bond yields down. If the lower inflation trend is accompanied by flattish commodity prices, the Australian dollar may also lose some ground.

Even so, the forthcoming corporate reporting season (which follows June year-ends for most companies) promises to be test for the market's bulls. Already, a surprisingly large number of groups have warned of stagnant or falling earnings, either because of cyclical trends in their industry or company-specific problems. CSR, the building products and sugar group, David Jones, the department store retailer, and Burns Philp, the food ingredients company, were this week's crop.

ABove all there is the matter of the forthcoming federal budget, due on August 20. This will central to the new conservative coalition government's economic strategy, and is expected to pave the way for A$8bn of federal expenditure cuts over the next two years.

The big unknown, however, is how much difficulty the government will have in pushing this package through the Senate, parliament's upper house, where it lacks a majority. When a contentious budget handed down by the former Labor government in 1993, it was stalled for two months by the Senate, and some measures eventually lost.

Financial markets, at that time, did not take kindly to the uncertainty. "There's definitely going to be high jinks," says Mr Rickards, of the impending budget battle. "The question is, how much ?"

EUROPE

Renault falls 5% in aftermath of sales data

Renault lost more than 5 per cent in PARIS with foreign institutions selling heavily as they reflected on disappointing June sales data which was released earlier in the week. The stock slipped FFr6.30 to FFr108.70, while Peugeot fell FFr3 to FFr602.

The CAC-40 index was down 14.43 at 1,992.83.

Danone, the food group, lost FFr8, or 1 per cent, to FFr760 as it issued a disappointing set of first half results which pointed to a weakness in European consumer spending.

FRANKFURT was pressured by the expiry of options late in the session, and after the Dax had closed off 13.97 at 2,520.19 the Ibis weakened to 2,498.35. Turnover was around DM9bn.

Banks were popular following a broker's reports earlier this week that proposed a switch into this sector from utilities: Deutsche added 60 pfg to DM74.90 and Commerzbank made DM1.80 to DM336.80. In the Ibis Deutsche shrank to DM74.50, but Continental advanced to DM336.80.

In contrast RWE fell to a year's low of DM54.10 before recovering to end down 67 pfg at DM54.53.

AMSTERDAM moved forward and the AEX index gained 4.65 to 534.05.

Financials were in favour. ABN Amro closed up Fl 1.50 at Fl 86.00 and ING rose Fl 1.30 to Fl 49.10.

Baan, a high technology company, was in retreat in spite of a good set of first half results, losing Fl 1.10 to Fl 57.50. In contrast Philips rose 40 cents to Fl 51.50 as the stock continued to fight its way off the year's low of Fl 48.30 seen last Tuesday.

THE WEEK'S CHANGES

	% Change
Istanbul	-8.4
Zurich	-3.3
Milan	-3.1
Vienna	-3.0
Paris	-2.8
Amsterdam	-2.4
Frankfurt	-2.0

MILAN saw a 3.1 per cent tumble by Mediaset after the company's warning late on Thursday that the government's proposed TV bill could cost the company L1,000bn in lost revenue.

Mediaset, whose shares were floated on the bourse at L7,000 and began trading on Monday, fell L233 to L7,380. Analysts noted that the prime minister, Mr Romano Prodi, had suggested that the TV bill could be changed and most expected a compromise to emerge. However, they added, the bill left Mediaset at the mercy of political horse trading in coming days.

The Comit index was up 2.12 to 624.61, but the real-time Mibtel index turned back from a high of 10,027 to finish 27 weaker at 9,913 as the market awaited last night's inflation data from Florence and Perugia and details from eight other cities on Monday.

ZURICH finished firmer but off its best levels after a session dominated by derivatives related trade. The SMI index finished 12.3 higher at 3,661.5.

UBS, up SFr27 at SFr1,249, benefited from a warrants expiry while CS Holding rose SFr2.25 to SFr129.50 and SBC added 25 centimes to SFr236.75.

SMH, the Swatch maker, rose SFr17 to SFr842 as the group's involvement at the Atlanta Olympic Games raised the company's profile.

VIENNA was weaker during a shortened session which was dominated by the expiry of July futures and options. The ATX index fell 3.99 to 1,025.48.

Creditanstalt preferred shares went in the opposite direction, losing 3.6 per cent to Sch481, while VA Stahl was the day's main riser, advancing 3.2 per cent to Sch340.

ISTANBUL was weaker as uncertainty continued over the new government's economic policies. The composite index lost 1,186.38 to 65,204.71.

Brokers said investors had recent ot been troubled by news that Standard and Poor's had placed the country's foreign currency debt on CrediTWatch with negative implications.

ATHENS corrected from recent declines as turnover rose sharply. The general index added 5.72 to 897.17 as turnover doubled to DKr8.1bn from the previous session.

LJUBLJANA fell 2.5 per cent to reach a new all-time low for the third time this week. Investors have been unsettled after the Securities Market Agency prohibited the country's largest mutual fund Proficia Dadas from trading. The SBI index fell 23.41 to 910.74.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Jul 19 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1642.88	1643.46	1643.44	1644.18	1644.16	1643.34	1640.70	1638.47
FT-SE Eurotrack 200	1683.83	1684.88	1684.75	1685.43	1686.07	1684.98	1682.50	1680.59

	Jul 18	Jul 17	Jul 16	Jul 15	Jul 12
FT-SE Eurotrack 100	1631.33	1624.61	1624.77	1664.07	1675.53
FT-SE Eurotrack 200	1671.26	1663.77	1666.80	1706.17	1715.71

Base value 1000 (26/10/90). High/day: 100 - 1646.07; 200 - 1687.20 Low/day: 100 - 1636.47 200 - 1678.80. † Partial.

SOUTH AFRICA

Johannesburg's industrial stocks took heart from the robust gains on Wall Street on Thursday but yesterday's weaker US opening pulled the shares off their highs. Golds were little changed on a listless bullion price. The overall index picked up 74.0 at 6,789.1 and industrials rose 95.1 at 8,040.5, but golds eased 1.9 at 1,789.1.

ASIA PACIFIC

Nikkei average lower on overseas selling

Tokyo

Prices rallied in early trading as concerns over an imminent rise in US interest rates receded, but the Nikkei closed lower as profit-taking by overseas institutions eroded the gains, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average fell 90.13, or 0.4 per cent, to 21,476.29, having fluctuated between 21,464.73 and 21,702.07. Futures-linked buying and purchases by investment trusts initially supported prices. However, foreigners continued to sell high-technology, cars and large capital steels depressing shares.

Volume was 319m shares against 258m. The Topix index of all first section stocks fell 5.48 to 1,630.60, and the Nikkei 300 index lost 1.62 to 301.04. Advances led declines by 541 to 458 with 206 issues unchanged.

In London, the ISE/Nikkei 50 index rose 3.58 to 1,438.09.

Rumours in late trading that Shizuoka Bank had posted large losses stemming from trading of US treasury bonds depressed confidence. Although the regional bank denied the speculation, the stock lost Y60 to Y1,290.

High-technology stocks were lower. Hitachi fell Y19 to Y974 on selling by Goldman Sachs, while NEC lost Y10 to Y1,130 due to sales by ING Barings. *Sony lost Y70 to Y6,830.*

Hopes of a reorganisation of the media industry following the acquisition of shares of TV Asahi by Mr Rupert Murdoch, lifted television and entertainment stocks. Tokyo Broadcasting System, a national network, rose Y50 to Y1,830 and Toei, the second largest shareholder of TV Asahi, gained Y6 to Y870.

In Osaka, the OSE average rose 6.21 to 22,693.92 in volume of 33.8m shares.

Roundup

Renewed talk of an early expansion of the *foreign* stock ownership ceiling pushed SEOUL sharply higher, taking *the composite index* 20.92, *or* 2.6 per cent, higher at 837.39.

Rumours that the change would be made in September sparked a late rally, although the finance ministry said the date had yet to be decided.

Samsung Electronics went limit-up, rising Won4,200 to Won74,200, on the prospects of a recovery in the semiconductor industry.

BANGKOK continued to show interest in BEC World, operator of the private Channel 3 television station, which made its debut on the market earlier this week. It was the most actively traded stock, closing down Bt8 at Bt272.

The SET index rose 2.54 to 1,182.38 in turnover of Bt5bn.

Bangkok Expressway dropped Bt3 to Bt36 on selling by institutions who feared a dilution effect in the event of a capital increase.

SYDNEY gained on bargain hunting, with the All Ordinaries index adding 38.00 to 2,157.6. Turnover was A$842.9m.

Pacific Dunlop rose 14 cents to A$2.85 after saying a US court had "decertified" action against a subsidiary that manufactures pacemakers.

Energy Resources of Australia closed 15 cents higher at A$5.10, after announcing a substantial rise in uranium output for the fiscal year ended June 30 1996.

TAIPEI made a strong gain, with the weighted index up 70.08, or 1.1 per cent, at 6,192.28. Turnover was T$50.85bn.

HONG KONG put in a strong performance for the second straight day and the Hang Seng index closed 134.06 higher at 10,845.30, in turnover that picked up to was HK$5.5bn.

THE WEEK'S CHANGES

	% Change
Hong Kong	+0.4
Sydney	u/c
Seoul	-0.3
Taipei	-0.5
Tokyo	-0.8
Bangkok	-2.0

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY JULY 18 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY JULY 17 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	191.86	1.8	184.04	131.82	148.79	161.22	1.5	4.48	188.44	180.42	129.54	145.63	158.87	212.18	175.72	177.91
Austria (24)	179.18	-1.3	171.68	123.11	138.96	138.69	-0.9	2.02	181.49	173.77	124.77	140.26	140.19	198.73	168.11	198.73
Belgium (27)	209.34	0.5	200.60	143.83	162.35	158.64	0.8	4.20	208.38	199.51	143.25	161.04	157.44	215.61	186.06	199.32
Brazil (28)	176.52	-0.5	169.33	121.29	136.90	327.17	-0.5	1.99	177.43	169.88	121.97	137.12	328.71	189.70	123.97	140.73
Canada (120)	158.69	1.6	152.22	109.03	123.07	157.21	1.4	2.26	156.18	149.53	107.37	120.70	155.12	165.12	134.14	149.15
Denmark (30)	306.19	-0.1	293.70	210.37	237.45	239.58	0.2	1.92	306.60	293.56	210.78	236.95	239.07	309.01	276.89	263.18
Finland (23)	191.08	-0.4	183.29	131.29	148.19	182.03	0.1	2.75	191.93	183.77	131.95	148.33	181.91	276.11	171.73	260.54
France (96)	191.17	0.2	183.38	131.35	148.25	151.58	0.6	3.18	190.84	182.72	131.19	147.48	150.75	198.39	167.70	187.35
Germany (59)	171.82	-0.1	164.82	118.06	133.25	133.25	0.3	1.86	171.94	164.62	118.20	132.88	132.88	174.36	155.66	164.33
Hong Kong (58)	416.45	0.8	399.47	286.13	322.96	413.67	0.8	3.46	413.17	395.59	284.04	319.30	410.41	451.19	343.81	376.84
Indonesia (27)	205.06	0.5	196.69	140.89	159.02	292.91	0.5	1.56	204.06	195.40	140.30	157.72	291.34	-	-	-
Ireland (16)	271.91	0.1	260.82	186.82	210.87	239.42	0.1	3.58	271.54	259.98	186.67	209.85	239.05	290.82	235.88	240.55
Italy (58)	78.35	1.8	75.16	53.83	60.76	98.98	1.6	2.49	76.96	73.71	52.92	59.49	97.60	84.53	67.22	76.78
Japan (481)	150.71	0.7	144.56	103.55	116.88	103.55	0.7	0.74	149.64	143.27	102.87	115.64	102.87	164.68	137.75	150.99
Malaysia (107)	556.41	-0.3	533.73	382.30	431.50	533.10	-0.2	1.88	558.06	534.32	383.64	431.28	534.42	585.09	425.77	553.39
Mexico (18)	1161.18	2.3	1113.84	797.82	900.51	9717.96	2.4	1.37	1134.82	1086.54	780.14	877.00	9492.41	1325.65	791.99	1202.71
Netherland (19)	287.48	0.3	275.76	197.52	222.95	219.55	0.6	3.28	286.54	274.35	196.98	221.44	218.24	293.69	245.79	260.17
New Zealand (15)	79.04	-0.8	75.82	54.31	61.30	60.89	-0.8	4.46	79.52	76.13	54.66	61.45	61.25	84.71	75.94	84.04
Norway (35)	247.94	-0.8	237.83	170.35	192.28	216.06	-0.6	2.09	250.07	239.43	171.91	193.25	217.28	256.94	222.24	241.37
Philippines (22)	209.56	0.4	201.01	143.98	162.51	273.46	0.4	0.56	208.71	199.83	143.48	161.30	272.36	-	-	-
Singapore (44)	395.32	0.2	379.21	271.62	306.58	258.51	0.3	1.47	394.32	377.54	271.08	304.74	257.71	465.21	355.91	392.19
South Africa (44)	346.29	0.3	332.17	237.92	268.55	332.31	0.3	2.19	345.18	330.49	237.29	266.78	331.32	437.76	339.18	350.04
Spain (37)	176.42	0.5	169.23	121.22	136.82	169.60	0.8	3.46	175.51	168.04	120.65	135.63	167.27	183.85	145.15	162.61
Sweden (48)	341.07	-0.3	327.16	234.34	264.50	335.74	-0.1	2.54	342.21	327.65	235.25	264.46	335.93	360.77	280.13	285.92
Switzerland (37)	244.78	-0.4	234.78	168.17	189.82	184.99	0.0	1.60	245.79	235.33	168.97	189.95	185.07	252.34	191.24	204.91
Thailand (45)	158.81	0.7	152.14	108.98	123.01	155.86	0.7	2.12	157.56	150.86	108.31	121.76	154.63	198.95	148.74	177.12
United Kingdom (200)	231.33	0.7	221.89	158.94	179.40	221.89	0.9	4.22	229.70	219.92	157.91	177.51	219.92	237.46	216.52	220.95
USA (627)	261.86	1.5	251.18	179.91	203.07	261.86	1.5	2.26	257.94	246.97	177.32	199.34	257.94	276.47	224.83	237.82
Americas (793)	239.54	1.5	229.78	164.58	185.77	201.42	1.5	2.25	235.98	225.94	162.23	182.37	198.45	252.43	208.37	208.16
Europe (709)	208.04	0.3	199.56	142.94	161.34	179.99	0.5	3.14	207.38	198.55	142.56	160.26	178.95	213.30	189.33	195.07
Nordic (136)	296.41	-0.4	284.32	203.66	229.87	254.99	-0.1	2.42	297.52	284.86	204.53	229.93	255.13	306.61	251.13	276.70
Pacific Basin (880)	163.06	0.7	156.41	112.04	126.46	114.19	0.7	1.20	161.91	155.02	111.30	125.12	113.45	177.01	148.86	161.75
Euro-Pacific (1589)	181.69	0.7	174.28	124.83	140.90	139.12	0.6	2.12	180.74	173.05	124.25	139.68	138.27	190.57	166.51	175.53
North America (747)	255.57	1.5	245.15	175.60	198.20	254.92	1.5	2.26	251.74	241.08	173.06	194.55	251.13	269.52	220.03	222.84
Europe Ex. UK (509)	190.18	0.1	182.43	130.67	147.49	155.20	0.4	2.57	189.97	181.89	130.60	146.81	154.57	194.86	169.85	176.50
Pacific Ex. Japan (399)	278.27	0.7	266.93	191.19	215.80	240.00	0.7	3.06	276.29	264.53	189.94	213.52	238.45	296.98	243.59	264.27
World Ex. US (1799)	182.92	0.6	175.47	125.68	141.86	143.57	0.6	2.13	181.80	174.06	125.04	140.57	142.66	191.55	167.38	176.55
World Ex. UK (2226)	204.83	1.0	196.48	140.73	158.85	173.11	1.0	1.98	202.83	194.20	139.43	156.75	171.37	213.05	185.61	188.29
World Ex. Japan (1945)	236.39	1.0	226.67	163.79	184.87	224.99	1.1	2.61	236.94	225.90	162.20	182.34	222.42	247.55	212.82	215.47
The World Index (2426)	207.19	1.0	198.74	142.35	160.66	177.62	1.0	2.18	205.21	196.48	141.07	158.50	175.84	214.95	188.49	192.07

CONSTITUENT CHANGES WITH EFFECT 22/7/96: Deletions: Royal Insurance (UK) and US Healthcare (USA). Name changes: Aetna Life and Casualty to Aetna Inc (USA) and Sun Alliance Group to Royal & Sun Alliance Insurance Group (UK). Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Jan	Apr	Puts Oct	Jan	Apr	Option		Calls Aug	Nov	Feb	Puts Aug	Nov	Feb
ASDA	110	5½	11	13	3¼	5½	7	Grand Met	420	14½	27½	34	7½	13½	22½
(*115½)	120	3¼	6½	8½	9	11	12	(*432)	460	1½	16½	17	36½	38	45½
Allied Domecq	420	20½	29½	38	8½	17	18½	Guinness	460	18½	28½	38½	5	14	18
(*434½)	460	11	16	20	28	40	41½	(*472½)	500	3½	16½	20½	28½	30½	35½
[illegible]								[illegible]							

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	5	36	26	92	137	111
Other Fixed Interest	0	0	14	5	3	61
Mineral Extraction	82	62	64	315	407	322
General Manufacturers	216	74	350	662	902	1,546
Consumer Goods	69	27	131	231	349	555
Services	146	53	269	479	754	1,210
Utilities	27	6	6	87	64	44
Financials	114	75	196	469	582	909
Investment Trusts	265	38	274	674	629	1,388
Others	74	25	46	245	236	259
Totals	998	395	1,396	3,259	4,322	6,400

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	July 8	Expiry	Oct. 3
Last Dealings	July 19	Settlement	Oct. 10

Calls: Dana Pet., Hanson, Irish Life, Severfield Reeve, Tullow Oil, Queens Moat, Videologic Puts:Hillsdown Puts & Calls: Cable & Wire, Redland, Videologic, Zeneca.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§60	F.P.	8.82	58	46	†Allzyme	51	-2	-	-	-	-
*	F.P.	870.5	220	£18$\frac{31}{32}$	Alumax	£19½	+⅛	-	-	-	-
§125	F.P.	40.1	130	123	†BATM Adv Comms	129	+2	-	-	-	-
§180	F.P.	40.3	202	181	Belhaven Brewery	200		-	-	-	-
100	P.P.	1,382	99½	89	British Energy	99½	+3½	P13.7	-	8.7	-
34	F.P.	577.2	92	82	Central Motor	92		-	-	-	-
§170	F.P.	19.0	185	173	†Circle Comms	175		-	-	-	-
*	F.P.	8.94	19	15	Concurrent Techn	19		-	-	-	-
§3	F.P.	3.07	4	4	†Drings of Bath	4		-	-	-	-
§145	F.P.	31.1	153	149	†Elec Retail Sys	149		-	-	-	-
§	F.P.	2.78	53	41	†Fayrewood	53	+5	-	-	-	-
§60	F.P.	2.74	66	62	†Hat Pin	62	-1	u2.72	2.0	5.5	11.4
-	F.P.	10.9	86	65	†Independent Br H	78xd		-	-	-	-
§12	F.P.	0.75	15	12	†Life Numbers	15	+1	-	-	-	-
§	F.P.	0.16	5	2	†Life Numbers Wts	5	+1	-	-	-	-
§3	F.P.	7.35	4¼	4	†Lotteryking	4¼	+¼	-	-	-	-
§	F.P.	0.26	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.32	19	18	NECA	18		-	-	-	-
172	F.P.	383.8	227	172	Pace Micro Techn	179	+1	R2.4	2.4	1.7	29.7
§3	F.P.	8.19	4	3½	†Pordum Foods	3¾		-	-	-	-
-	F.P.	0.38	2	1½	†Pordum Foods Wts	1¾		-	-	-	-
-	F.P.	1,247	243	215	Sun Life & Prov	221½	+½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	Low	Stock	Closing price p	+or-
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Cowie	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Dawson Motors	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Greene King	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Kaye Food	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Sema Group	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Syndicate Cap	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Tesley Robor	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Transline	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Tullow Oil	[illegible]	[illegible]
[illegible]	Nil	[illegible]	[illegible]	[illegible]	Vardy	[illegible]	[illegible]

pm premium.

FINANCIAL TIMES EQUITY INDICES

	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Yr ago	High	Low
Ordinary Share	2717.8	2700.4	2678.7	2668.8	2723.1	2555.5	2855.2	2628.2
Ord. div. yield	4.14	4.13	4.18	4.16	4.10	4.16	4.14	3.76
P/E ratio net	16.24	15.97	15.86	15.80	16.00	16.04	17.25	15.80
P/E ratio nil	16.13	15.88	15.77	15.71	15.90	15.87	17.09	15.71

Ordinary Share Index since compilation: high 2855.2 13/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2713.2	2716.7	2718.2	2721.7	2722.5	2724.4	2718.8	2716.0	2717.8	2725.1	2713.7

	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Yr ago
SEAQ bargains	27,014	24,016	25,993	24,625	30,393	22,358
Equity turnover (£m)†	-	1636.5	1595.3	1604.2	1284.7	1376.6
Equity bargains†	-	29,494	34,271	40,228	37,025	30,599
Shares traded (mil)†	-	540.5	614.5	606.6	547.7	510.8

†Excluding intra-market business and overseas turnover.

	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Yr ago	*High	*Low
FT-SE AIM	1057.70	1045.30	1037.00	1029.80	1050.50	-	1146.40	986.70

*For 1996.

FT GOLD MINES INDEX

	Jul 19	% chg on day	Jul 18	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	1958.07	+1.2	1943.84	2063.98	1.88	-	2283.73	1772.88
■ Regional Indices								
Africa (13)	2686.77	-1.5	2727.47	2771.26	2.87	38.85	3033.85	2272.74
Australasia (7)	2188.91	+2.2	2123.88	2390.92	[illegible]	[illegible]	[illegible]	[illegible]
North America (12)	1734.84	+2.1	1684.18	1762.15	[illegible]	[illegible]	[illegible]	[illegible]

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

TRADEPOINT INVESTMENT EXCHANGE

Daily turnover for 19/07/96

Volume: 50,000 Value: £83,000

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £122⅝ (17Jy96)

Exchequer 10½% Stk 2005 - £116⅞ (16Jy96)

UK Public Boards

Clydeport Ltd 3% Irrd Stk - £31½ (12Jy96)

Clydeport Ltd 4% Irrd Stk - £41½ (12Jy96)

Port of London Authority 3% Port of London A Stk 29/99 - £88 (16Jy96)

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Investment Trusts

USM Appendix

FT-SE ACTUARIES INDICES

The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

The FT-SE Actuaries Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

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Auditor: The WM Company.

Constituent lists and additional information on all the FT-SE International index products are available from: *FT-SE International Limited, The Podium,* St Alphage House, 2 Fore Street, London, EC2Y 5DA. Telephone: (0171 UK or 44 171 International callers) 448 1810. Facsimile: (0171 UK or 44 171 International) 448 1834.

LONDON STOCK EXCHANGE

MARKET REPORT

Fresh institutional buying boosts leading stocks

By Steve Thompson, UK Stock Market Editor

Another burst of buying interest in the market's leading issues, which was said to have represented serious new money from one of the largest UK investment funds, helped shares in London finish a difficult week in relatively good form.

Already lifted by Wall Street's show of strength, with the Dow Jones Industrial Average surging 87 points on Thursday, shares were lifted substantially by the new money coming into the market.

Such was the momentum behind the buying early in the day that the FT-SE 100 index came within two points of last Friday's closing level, a remarkable performance given the turbulence on Wall Street at the start of the week.

The volatility was prompted by poor earnings numbers from Motorola and a profits warning from Hewlett Packard, coming hard on the heels of the recent strong labour report from the US.

The latter prompted widespread expectations that the US Federal Reserve may move to increase interest rates when its policymaking committee meets on August 20. However, many of those fears subsided on Thursday in the wake of a reassuring testimony to the US Congress by Mr Alan Greenspan, chairman of the Federal Reserve.

Over the week, the FT-SE 100 index was 17.8 lower, while the Mid 250 was 66.5 down. Dealers said the strong rally in the 100 index was a reflection of the burst of institutional demand for the leaders on Thursday, when traders reported a £200m buy programme and again yesterday morning, when the *effects of the programme were felt.*

Footsie began the day 18 points higher and quickly moved up a gear as further buying washed across the market, eventually peaking before *midday when the index was 33* points ahead. The initial strength was also caused by technical trading associated with the expiry of the FT-SE 100 July option.

A bout of profit-taking at the start of trading yesterday saw the Dow lose ground, taking the froth off London stocks.

By the close, Footsie had relinquished almost half its previous gains, adding 17.1 to 3,710.5. The FT-SE Mid 250, which underperformed the 100 index on the way up *during the morning, managed to* hold on to most of its earlier gains, and closed 24.8 up at 4,250.

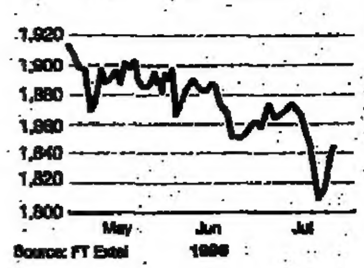
Dealers remained wary of the market, despite the strong recovery "Wall Street remains very much a danger zone," said one senior trader.

Strategists were not so cautious. Mr Richard Jeffrey, group economist at Charterhouse Tilney, said: "London looks reasonably attractive and the general manufacturers look especially so, although Wall Street *remains a potential* threat."

Mr Ian Harnett, economist at SGST, said he had shaved the end-year FT-SE 100 forecast to 3,850 to allow for increased international *worries, principally on Wall Street* but also because of the potential threat of an early UK general election posed by the political worries in northern Ireland.

Turnover at 6pm was 607.5m shares, while customer business on Thursday was worth £1.64bn.

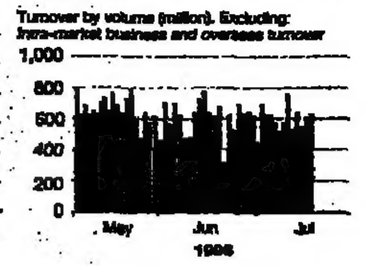
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: *intra-market business and overseas turnover*



Indices and ratios

FT-SE Mid 250	4250.0	+24.8
FT-SE-A 350	1860.8	+9.0
FT-SE-A All-Share	1841.45	+9.04
FT-SE-A All-Share yield	3.90	3.92
FT Ordinary index	2717.8	+17.4
FT-SE-A Non Fins p/e	16.62	16.54
FT-SE 100 Fut Jul	3706.0	+18.0
10 yr Gilt yield	7.89	7.88
Long gilt/equity yld ratio:	2.12	2.11

FT-SE 100 Index

Closing index for Jul 19	3710.5
Change over week	−17.8
Jul 18	3693.4
Jul 17	3658.2
Jul 16	3632.3
Jul 15	3698.3
High*	3726.9
Low*	3612.6

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i†	945	428	−1	Lloyds TSB†	7,800	337	−3½
ASDA Group†	6,900	115¾	−¾	LASMO†	5,300	184	+4
Abbey National†	1,100	584	+6	London Elect	1,100	604	+6
Albert Fisher	675	45	+¼	Lonrho	2,700	170½	+1½
Allied Domecq†	2,400	434	+1	Lucas	7,700	221	+5
Anglian Water	721	545	+6	MEPC	308	402	
Argos†	1,800	723	+14¼	MFI	2,200	190	
Arjo Wiggins	1,300	179	+2	Marks & Spencer†	2,700	484	+5½
Assoc. Brit. Foods†	355	400	+1	Mercury Asset Man.	195	919	−1

EQUITY FUTURES AND OPTIONS TRADING

The expiry of the July index options, together with dividend-related trading, combined to boost turnover in traded options at the end of a volatile week in the derivatives sector, *writes Joel Kibazo.*

Dealers said the mid-morning expiry passed off without much activity following a busy period beforehand. Total volume at the end of the day was 67,551 lots, of which 29,090 was dealt in the FT-SE 100 option and 26,234 in the Euro FT-SE.

Dividend-related trading in GrandMet made it the busiest stock option with a total of 1,649 lots. It was followed by 1,505 contracts traded in Royal Sun Alliance.

In futures, the September contract on the FT-SE 100 ended a busy week on a firm note. Having opened at a firm 3,705, active buying saw the contract rise to a peak of 3,735 before nervous selling brought a retreat in the afternoon. It still managed to close at a firm 3,708.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	3705.0	3708.0	+18.0	3735.0	3696.0	17472	61765
Dec	–	3726.0	+18.0	–	–	0	1771
Mar	–	3740.0	+18.0	–	–	0	100

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Sep	–	4249.0	+25.0	–	–	0	3401

■ FT-SE 100 INDEX OPTION (LIFFE) (*3708) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 29 1995 based on Friday July 19 1996

FT - SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

Dividend optimism in banks

Bank shares figured prominently among the FT-SE 100 leaders for much of the trading session, led mostly by Barclays, but came off their best levels well before the close.

There were plenty of bullish stories driving the sector higher, the most prominent of which was the increasing optimism around the market over the forthcoming interim season, which is expected to see dividends increased by between 15 and 20 per cent. And there are strong expectations of share buybacks from Barclays and NatWest. The results season starts off next Friday with results from Lloyds.

The big action in the sector was concentrated in Barclays, whose shares approached an all-time record during the morning session, driven by bullish noises from a number of leading stockbrokers, principally Kleinwort Benson, which put a £10 price tag on the stock. There was also a revival of recent speculation concerning BZW, and BZWIM, the investment manangement arm of Barclays, although talk that BZW was up for sale was firmly shot down recently by Barclays Bank.

Brokers are forecasting a 20 per cent increase in Barclays' interim payement. At the close Barclays shares, hampered by *profit-taking,* were 10 *higher* at 802p.

Burtons boosted

HSBC jumped 17 to 1047p, helped by switching from NatWest. Standard Chartered were finally 8 higher at 664p, only 6p short of the all-time high. Bank *of Scotland, where the Standard* Life 32 per cent holding is expected to be sold in the next two weeks at between 210p to 230p, were a penny higher at 234½p.

The market was taken by surprise by the £45m recommended offer for Innovations, the direct mail order company, by Burton, which said that it was making a strategic move into home shopping.

Innovations, which had tantalised the market earlier this week by announcing that it had had approaches from a third party, rose 101 to 313p, while Burton, which had announced positive current trading news, rose 6¾ to 151¼p.

Several analysts adjusted *their full-year forecasts* for Burton. ABN-AMRO Hoare Govett increased its estimate from £138m to £150m while UBS moved from £135m to £145m.

One analyst said that the choice of Innovations for acquisition was surprising, with speculation in the past over *several other potential targets.* However, the strategy was welcomed in the medium term; with analysts also bullish for the short term because of the *trading statement.*

Burton said that better trading for the 19-week period to July 13 has resulted in group sales increasing by 8.5 per *cent, with the gross margin for* the period up 2.1 percentage points, as the company experienced benefits from both better trading and supply chain improvements.

While Burton's move had a *positive effect on several* stocks in the sector, it put pressure on Great Universal Stores, which fell 8 to 628p.

The market was not overly unsettled by the secretary of state for trade and industry accepting the conclusion of the Monopolies and Mergers Commission that either UniChem or Gehe of Germany must identify possible buyers for over half of the the wholesale business of Lloyds Chemists, before bids from either UniChem or Gehe could be approved.

Lloyds rose 6 to 481p. One analyst said that the terms were stringent but he expected both bids would re-emerge and buyers would be found for the wholesale businesses, albeit at a lower price than might have been expected because of an October 18 deadline.

Racal Electronics was the *day's worst performer in the* FT-SE Mid 250 after the shares gave up 11 to 284p. One broker was said to be talking a bearish earnings story around the market.

However, the market consensus remains of preliminary profits around the £70m-£74m mark, after an expected exceptional write-down of £20m.

Thorn EMI rose 12 to 1735p in anticipation of next week's demerger document and its quarterly results.

Iceland continued to fall, losing a further 3 to 111p, in the wake of Wednesday's profits warning and reports that one marketmaker had been been badly wrong-footed.

Greycoat rose 6½ to 139¼p on the announcement that it bought back 3.57 million shares at 140p.

Rolls-Royce's *decision to exit* from large steam power generation was well received by the market, and the shares hardened 2¼ to 227p.

Panmure Gordon said it was a good deal for Rolls-Royce.It was a competitive, worldwide market where the company was not doing well and it had *decided to "bite the bullet."*

Pharmaceutical groups Zeneca and SmithKline Beecham moved firmly ahead boosted by a broker's recommendation. Shares in the *former* gained 13 to 1396p, in trade of 1.5m while the latter hardened 12½ to 684p, with volume reaching 4.2m by the close.

Merrill Lynch yesterday reiterated its positive stance on both stocks saying overall, "(price-earnings) multiples in companies with new product pipelines will expand...both these companies will benefit from new product introductions over the next 12 to 18 months."

Sentiment in the UK sector was enhanced by the positive overnight trading in US pharmaceuticals which followed the release of firm second quarter figures from Merck and Pfizer, two of the fastest growing US drugs groups.

Individually, Glaxo Wellcome added 10½ to 892p, while Scotia Holdings ended the day 13 better at 698p. Biotechnology stocks continued in demand yesterday and shares in British Biotech gained another 10 to 2,153p, while those in Chiroscience closed 14 ahead at 354p.

Tomkins slipped 3 to 261p after a report that broker Merrill Lynch had *downgraded its* near-term rating of the conglomerate's stock from "accumulate" to "neutral". The report said Merrill had maintained *its* long-term "accumulate" rating.

Profit-taking in life assurance group Legal & General left the shares 2 lighter at 699p.

The stock rose strongly on Thursday after the group reported a sharp rise in worldwide premium income. The company said it had risen by 39.2 per cent in the first half of the year.

NEW 52 WEEK HIGHS AND LOWS

NEW HIGHS (48).

GILTS (1) BANKS, RETAIL (1)Banco Bilbao Vizcaya, BUILDING & CNSTRN (1) Morgan Sindall, BLDG MATLS & MCHTS (1) Sharpe & Fisher, DIVERSIFIED INDLS (1) Sime Darby, ENGINEERING (3) CMI Intl, Spirax-Sarco, EMG, VEHICLES (1) First Technology, INVESTMENT TRUSTS (13) INVESTMENT COMPANIES (3) LEISURE & HOTELS (1) BS, MEDIA (1) BSkyB, OIL, EXPLORATION & PROD (3) Enterprise Oil, International Petroleum, PAPER, PACKG & PRNTG (3) Crest Packaging, SCA B, UPM-Kymmene, PROPERTY (3) Birkby, CLS, TBI, RETAILERS, GENERAL (3) Alexon, Innovations, SUPPORT SERVS (2) Davis Service, Hogg Robinson, TEXTILES & APPAREL (1) Stant, TRANSPORT (1) NFC, WATER (3) South Staffs, Southern, AIM (3) International Greetings, Sinclair Montrose Healthcare, AMERICANS (1) Abbott Laboratories, CANADIANS (3) BC Gas, Royal Bank of Canada, Trans Can Pipe.

NEW LOWS (35).

BREWERIES, PUBS & REST (1) Marston Thompson, CHEMICALS (1) Yorkshire, DISTRIBUTORS (2) Abacus Polar, Datrontech, DIVERSIFIED INDLS (1) Hanson Wts, ELECTRNC & ELECT EQUIP (3) Cray Electronic, Telepac, Thorpe (FW), ENGINEERING (3) Villiers, Wagon Industrial, Do 7¼p Prf, EXTRACTIVE INDS (1) ERGO, FOOD PRODUCERS (1) Trade, HEALTH CARE (1) Healthcall, INVESTMENT TRUSTS (2) INVESTMENT COMPANIES (1) OIL, EXPLORATION & PROD (1) Pittencrieff Resources, OTHER FINANCIAL (1) PAPER, PACKG & PRNTG (1) Bemrose, PROPERTY (3) Daren Estates, Hammerson 6¾pc Bds 2008, London Merchant Securities, RETAILERS, FOOD (1) Iceland, RETAILERS, GENERAL (1) Essex Furniture, SUPPORT SERVS (1) Quality Software Products, TEXTILES & APPAREL (3) Claremont Garments, Gent (SR).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises

Argos	723	+	14
BS Group	185	+	15
Barclays	802	+	10
CMG	625	+	29
Cntryside Prop	58	+	4
Crest Pack	83	+	7
Drummond Grp	38	+	3
Filtronic Cmtk	273	+	23
Innovations	313	+	101
Jones Stroud	438	+	18
Kalamazoo	134	+	11
Northern Elec	525	+	17
PCT	125	+	10
Perpetual	2288	+	155
Rainford	335	+	20
Yorks TV	1248	+	33

Falls

Biocure	18	−	4
GUS	628	−	8
Marston Thmpsn	276	−	6
Racal Elec	284	−	11
Thorpe (FW)	173	−	36

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Prices as at 12.30 pm on 19 July 1996. * Other classes of share available.

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ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV. TRUSTS SPLIT CAPITAL

INVESTMENT COMPANIES

LEISURE & HOTELS

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

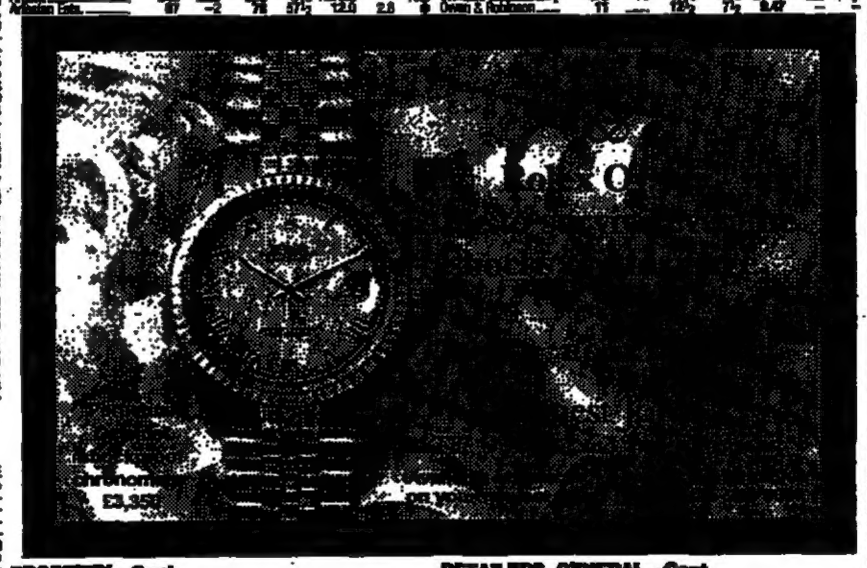
[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]



PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. *Dividends and Dividend covers are published on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- Figures or report awaited.
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension.
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress.
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other offer estimate. c Earnings based on preliminary figures. e Dividend yield excludes a special payment. f Indicated dividend yield, p/e ratio based on latest annual earnings. g Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. ... 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. ¶ Dividend is paid in whole or part as a ...

FD (Foreign Income Dividend) ...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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Call 0171 873 4378 for more information on FT Cityline.

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FINANCIAL TIMES

Weekend July 20/July 21 1996

Puy lentils' quality mark has French pulses racing

By David Owen in Paris

They take their food seriously in France. So seriously that they have just accorded the prestigious *appellation d'origine contrôlée* quality mark, usually associated with fine wine and cheese, to a humble pulse.

Mr Philippe Vasseur, French agriculture minister, has signed a decree recognising the Puy green lentil as worthy of the honour.

As a result, food lovers from Belair to Belgravia should soon be able to rest easy that the Puy lentils adorning their pigeon or monkfish really do come from south-east France and not some interloper such as Canada.

The award promises to give extra fizz to the annual "festival of the lentil" that will be held this year in Puy-en-Velay on August 22.

Locals say it is a combination of the volcanic soil and the climate of the corner of the Haute Loire *département* where Puy lentils are grown that give them their distinctive and much sought-after nutty flavour.

"It rains very little and there is an enormous temperature range," said Mr Pierre Pettex Sabarot, managing director of Sabarot, the biggest marketing organisation of Puy lentils in France. "That means the lentils suffer a bit."

Real Puy green lentils must be grown without fertiliser, without watering and must be harvested at full maturity. Plants grow about 15cm high. The harvesting season is from August to September.

Mr Pettex Sabarot takes great pride that Puy lentils are only the seventh non-cheese food to be granted an *appellation* by the authorities. Others include Bresse poultry, nuts from Grenoble and olive oil from Nyons.

There are about 800 growers of Puy lentils, up from just under 400 in 1988, cultivating on average less than four hectares each. In 1995, just 2,600 tonnes were harvested. The annual turnover of the region is between FFr15m ($2.9m) and FFr25m.

Mr Pettex Sabarot says one group for which this week's decision will not be good news are British supermarket chains which, he claims, sell produce from other countries as "Puy lentils".

"It will enable us to defend ourselves against this fraud," he said. An official of J. Sainsbury, the UK supermarket group, which sells produce as "Sainsburys Puy lentils produce of Canada", said last night that the company would "review the situation".

Russian bond rules eased for foreign investors

By Chrystia Freeland in Moscow

The Russian central bank yesterday announced a long-awaited liberalisation of the bond market for foreign investors, but officials warned that some restrictions would remain.

The move is an effort by the government to lower the high cost of public borrowing and could help woo outsiders who are attracted by the high yields of Russian bonds but want simplified and more transparent access to the market.

The decision is also a signal that following a turbulent presidential election campaign which made many investors uncomfortable, Moscow is now preparing to make a big push to open up its markets to the world.

From August 15, foreigners will be able to open rouble accounts at specified Russian banks and use these funds to buy treasury bills at government auctions and in the secondary market.

But the central bank said it would continue to determine what share of each bond issue could be purchased by non-residents. It will also continue to impose controls on the conversion of rouble profits back into dollars.

Foreigners were allowed into the Russian market this year, but the central bank strictly determined the way in which they could purchase bonds and capped their yields.

Recently, the dollar yield has been at 19 per cent, less than a quarter of the returns enjoyed by domestic investors.

Many outside investors found ways of getting around the restrictions by purchasing "proxies" of the Russian bonds, created to mirror the behaviour of the domestically purchased treasury bills.

Some bankers predicted that the new rules would attract foreign investors who had been cautious about investing under the complications of the old system.

"It will make a big difference," said Mr Victor Huaco, president of Orion Capital, a Moscow-based investment group. "Investors will feel a lot more comfortable. The rules are clear and direct. A lot of the complaints of foreigners have been addressed."

Mr Huaco also said that continued restrictions on profit repatriation were a wise move, which would help the Russian government to avoid vulnerability to the whims of outside investors, which helped cause a peso crisis in Mexico.

But other bankers were less enthusiastic. "It's a step forward, but I don't think it's a complete opening of the market," one London-based Russian debt trader said.

The big question for foreign investors would be the level at which the central bank would cap yields for outsiders under the new scheme.

Rolls-Royce turbine arm up for sale

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dwell on its past. "Our prime responsibility is to ensure that the industrial future of this country is maintained. That means going forward in world markets with Rolls-Royce products."

Rolls-Royce is selling the steam generation business in response to intense competitive pressures in the world power engineering industry and a shift away from steam technology to gas.

Despite cost cuts, which have seen employment at Parsons fall to 1,700 from 5,300 in 1985 and drop to 800 in Derby, the steam turbine business has fallen into deficit, with a £30m loss last year on £280m turnover. This limited group profits to £175m pre-tax.

Rolls-Royce said the planned disposals would free it to focus on industrial sectors in which it is strong, including gas turbines, small steam turbines and marine engines. It also intends to continue expanding its aero-engine business, and to exploit the links between aero-engines and gas turbines.

City and industrial analysts praised the group's move, saying it would permit Rolls-Royce to concentrate on its strengths. Mr Steve Thomas, a researcher at the science policy research unit at Sussex University, said: "Parsons has been a drag on Rolls-Royce for a long time." The shares closed at 227p, up 2¼p.

Major aims to stop foreign fishermen buying UK licences

By Deborah Hargreaves and George Parker in London

Mr John Major, the UK prime minister, said yesterday he wanted to stop foreign interests buying up licences to fish in UK waters.

He will suggest at the European Union intergovernmental conference changes to the Treaty of Rome to allow member countries to tackle "quota hopping" by reserving quotas for the benefit of national fishermen.

British fishermen are angry that boats operating under foreign flags, chiefly from Spain and the Netherlands, are buying up UK fishing licences to gain access to quotas. They then land all their catches abroad.

Mr Major told fishermen in St Ives, Cornwall, in the south-west of the country: "We have to change the treaty and that is what we are seeking to do. Then we have to make sure there is proper policing of the treaty requirements."

Britain wants to ensure the owner of a fishing boat must be a company doing business in the UK, not simply a "brass plate" operation. The skipper and crew must live in the UK and the vessel must land the majority of its catches in British ports. At the moment the only restrictions on foreign flagships is that they visit a UK port four times a year.

"Our lawyers have drawn up these proposals so tightly that it would effectively end all quota hopping," said a Ministry of Agriculture official. "We will be pushing these proposals very hard."

Officials admit that even if the UK proposals are adopted, it might be difficult to make the new rules apply retrospectively to "flag of convenience" boats operating in UK waters.

"The presumption is that quotas are there for national fishermen, but flagships undermine that," said Mr Barrie Deas, chief executive of the National Federation of Fishermen's Organisations. He said quota hoppers now had access to 44 per cent of the UK's plaice and 22 per cent of the sole quota.

The British government currently faces a compensation claim of up to £30m ($46.8m) from 90 fishermen banned from UK waters in 1988 after the European Court ruled it illegal.

Mr Tony Baldry, UK fisheries minister, said Britain would not agree to capacity cuts in its national fleet until the problem of quota hoppers was sorted out. The EU wants Britain to make cuts of around 20 per cent – roughly the capacity held by foreign-owned boats.

Karadzic resignation paves way for polls

Continued from Page 1

Dayton peace accords, indicted war criminals are barred from holding public office.

After six months of frustrated efforts to oust Mr Karadzic, mediators yesterday were cautious.

Mr Michael Steiner, the deputy to Carl Bildt – responsible for the civilian side of the peace agreement and who helped lay the ground for the agreement – said: "I think the situation has been clarified, but we must await events [to be sure] since there have been so many agreements not properly implemented in this country."

■ Russian diplomats welcomed Mr Karadzic's decision to resign, *writes Chrystia Freeland from Moscow*. But Russia, a traditional patron of the Serbs, has also spoken out against efforts to arrest Mr Karadzic.

THE LEX COLUMN

Rolls' steam bath

Seven years after the event, the folly of Rolls-Royce's acquisition of NEI, the power engineering group, is plain. Yesterday's decision to sell or, if needed, close its large steam power engineering business will result in losses of up to £248m ($386.9m). Of that, around £135m will be a cash cost – more than wiping out the cumulative £100m in profits the entire NEI group has made since Rolls bought it. Rolls will still own two other NEI businesses – one making cranes, the other manufacturing switch gear and the like. But together these make only about £20m in profits, a dismal return on the original £306m investment.

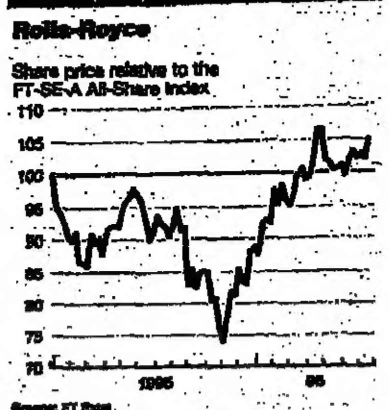
Rolls has, of course, been unfortunate because supplying large steam power stations has become intensely competitive, with the result that many of its contracts are lossmaking. But the logic behind the acquisition – that Rolls needed to diversify from its aero-engine core – was also faulty. The group merely ended up with a sub-scale business in a market dominated by giants about which it knew little. Initial hopes that there would be synergy between Rolls' gas turbines, which are derived from aero-engines, and NEI's steam business proved a mirage. There is no overlap between the two methods of generating power.

Though buying NEI was a mistake, shareholders will be glad that the new chief executive Mr John Rose has acted decisively to axe the steam business. Though Rolls may go into the red this year, eliminating future losses will boost the group's earnings by roughly 10 per cent. And, if the steam business can be sold rather than closed, the initial hit may not be as large as £248m.

Burton

Burton's management has done an excellent job in rebuilding margins and brands within its tarnished retail empire. And its acquisition of the UK mail order business, Innovations, looks an astute move to capitalise on all this hard work. Unlike some of the other recovery stories in the retail sector, Burton is having to make do with squeezing better performance from existing stores rather than pushing out new formats. And while it still has plenty to go for, as demonstrated by the further margin improvements announced yesterday, life is going to get harder. Buying into direct mail order retailing looks a sensible way of securing another source of growth further down the line, and cashing in on its revitalised range of brand names.

FT-SE Eurotrack 200: 1681.7 (+6.6)



Source: FT Extel

Of course, even after stripping out Innovations' cash resources, the price is steep. However, Burton is paying with its own highly rated shares. The group is buying a considerable amount of time by acquiring expertise, systems and a mailing list in a line of business that would take years to develop on its own. Since the likes of Marks and Spencer are also interested in developing mail order businesses, this time could be worth a considerable amount of money.

After all, the direct mail-order market has achieved 10 per cent annual compound growth since 1986 and amounts to around £1bn of annual sales. There will be a limited amount of cannibalisation, with existing customers buying from the catalogue instead. But this should be more than off-set by the benefits of marketing the stores through the catalogue, while tapping into a faster-growing segment of the retail market.

Lloyds Chemists

Lloyds Chemists yesterday emerged from its Monopolies and Mergers Commission inquiry as a less tasty morsel, but one that looks certain to be swallowed by either Unichem or Gehe. The UK government's decision to force a rapid sale of most of Lloyds' wholesale drug distribution operations knocks a few million off the value of Lloyds to a bidder. The buyer might be lucky to get £5m from selling a business making profits of almost £3m – due to the fickleness of its customers. But the ruling looks a rational response to monopoly concerns. And in the context of a £650m bid, Unichem and Gehe should not be unduly concerned. Lloyds' 934 chemists shops are the real prize.

Indeed Lloyds' recent trading statement should be of greater concern. Without the prospect of further bids, Lloyds' shares would probably have fallen over 10 per cent after the profits warning – management's claims that it was all the fault of the bid do not stack up. Yet both bidders have worked on the basis that they could considerably improve the management. And there is no evidence that the long-term value of the business has been impaired.

The two bidders will clearly feel tempted to lower their previous offers. Lloyd's besieged shareholders must be looking for an easy exit. Gehe's pure cash offer has become more attractive, given the recent correction in world equity markets. But Unichem remains keen given that it is convinced it can achieve savings of over £20m by absorbing Lloyds. It will be an interesting game of chicken.

Bank of Scotland

Pity poor BZW. Fresh from the British Energy flop, it has to persuade a jittery market to swallow around 30 per cent of Bank of Scotland next week. Nonetheless, the Bank's share price has held up remarkably well; it is hardly lower than it was just before news of Standard Life's plan to sell its stake leaked. Of course, it has not benefited from the general enthusiasm for bank stocks – against the sector, it has underperformed by 7 per cent. But with a huge offering in prospect this looks modest – especially since the market has also had to accept that a bid, often rumoured in the past, now looks very unlikely. If a bid were lurking, news that the Standard Life stake was for sale would surely have flushed it out by now.

The trouble with the shares' robust performance is that they are, as a result, no bargain. True, their prospective price/earnings multiple of eight times is a 10 per cent discount to the sector. But a discount is justified. For one thing, Bank of Scotland offers nothing like the cost-cutting potential of its peers because it is already much more efficient. For another, the bank's strategy of strong asset growth means investors cannot get their hands on a big chunk of its earnings, which have to be kept back just to keep capital ratios up. And the shares are already trading at a lower prospective yield than any other high street bank.

Of course there is much in the bank's favour: its record is impressive and many institutions are underweight in the stock. Nonetheless, a further discount to the current price will almost certainly be needed to get the offering away.

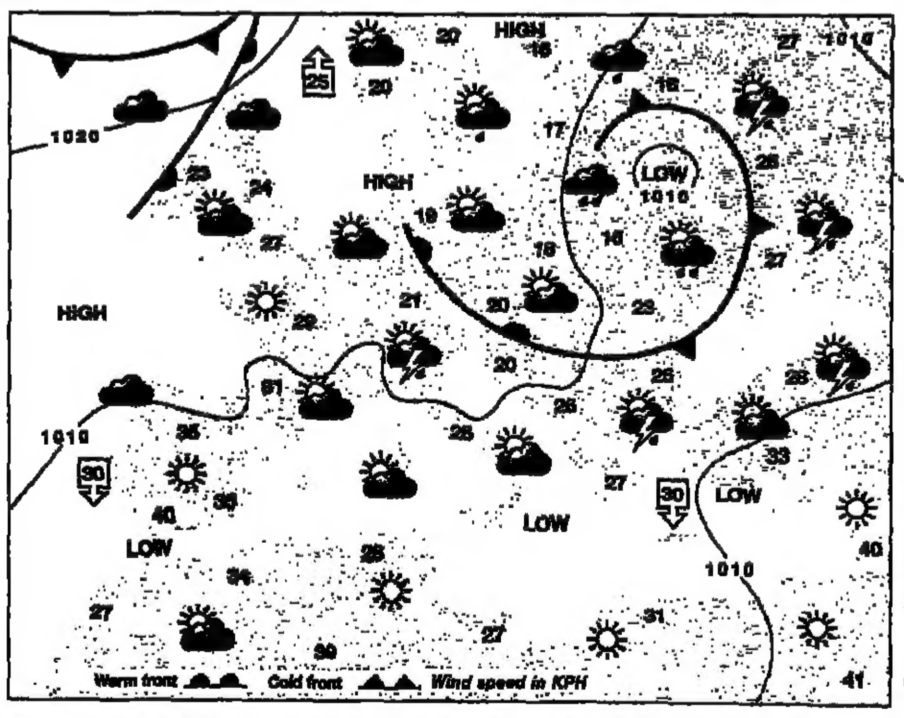
FT WEATHER GUIDE

Europe today

Most of western Europe will be sunny and warm. The interior of Spain and Portugal will remain hot with temperatures reaching 40C in some areas. Temperatures will rise to 25C or higher across most of England. Ireland, Scotland and most of the Benelux will be cooler with cloud. Central and eastern Europe will also have cloud. Eastern Poland, Ukraine and Belarus will be cool with showers. Northern Italy and Greece may have thunder showers in the afternoon. Elsewhere along the Mediterranean it will remain sunny and warm. Southern Scandinavia will start sunny with showers developing in the afternoon.

Five-day forecast

Warm air across Spain and Portugal will move north bringing sun and high temperatures across most of western Europe. Thunder showers will develop later and temperatures will fall. Central and eastern Europe will turn warmer and sunnier. Southern Scandinavia will also become warmer but may have showers. The Mediterranean and south-eastern Europe will remain sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	44
Accra	shower	28
Algiers	sun	30
Amsterdam	fair	23
Athens	sun	30
Atlanta	fair	38
B. Aires	fair	14
B.ham	fair	26
Bangkok	shower	34
Barcelona	fair	30
Beijing	fair	31
Belfast	fair	22
Belgrade	fair	20
Berlin	fair	19
Bermuda	shower	26
Bogota	fair	18
Bombay	shower	32
Brussels	fair	24
Budapest	fair	20
C.hagen	fair	22
Cairo	sun	34
Cape Town	sun	16
Caracas	fair	32
Cardiff	fair	25
Casablanca	sun	27
Chicago	sun	28
Cologne	fair	24
Dakar	fair	26
Dallas	sun	38
Delhi	fair	34
Dubai	sun	42
Dublin	fair	23
Dubrovnik	fair	26
Edinburgh	fair	21
Faro	sun	30
Frankfurt	fair	24
Geneva	sun	25
Gibraltar	sun	28
Glasgow	fair	23
Hamburg	fair	20
Helsinki	fair	18
Hong Kong	shower	30
Honolulu	fair	32
Istanbul	sun	27
Jakarta	fair	32
Jersey	fair	22
Karachi	sun	35
Kuwait	fair	47
L. Angeles	sun	24
Las Palmas	fair	28
Lima	cloudy	18
Lisbon	sun	31
London	sun	28
Lux.bourg	fair	25
Lyon	sun	26
Madeira	fair	26
Madrid	sun	37
Majorca	sun	31
Malta	sun	28
Manchester	fair	26
Manila	thund	33
Melbourne	shower	12
Mexico City	shower	21
Miami	fair	33
Milan	fair	28
Montreal	fair	21
Moscow	rain	20
Munich	fair	20
Nairobi	fair	23
Naples	sun	29
Nassau	thund	33
New York	fair	28
Nice	fair	27
Nicosia	sun	35
Oslo	fair	23
Paris	sun	28
Perth	shower	19
Prague	fair	17
Rangoon	shower	32
Reykjavik	fair	13
Rio	fair	24
Rome	fair	29
S. Frsco	sun	24
Seoul	cloudy	32
Singapore	fair	32
Stockholm	fair	20
Strasbourg	sun	24
Sydney	windy	17
Tangier	sun	32
Tel Aviv	sun	32
Tokyo	rain	30
Toronto	sun	23
Vancouver	rain	19
Venice	fair	25
Vienna	fair	20
Warsaw	fair	17
Washington	sun	31
Wellington	shower	12
Winnipeg	thund	24
Zurich	fair	22